PUBLIC ACCOUNTS 2007/08



VOLUME 4 the financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

For the Year Ended March 31, 2008

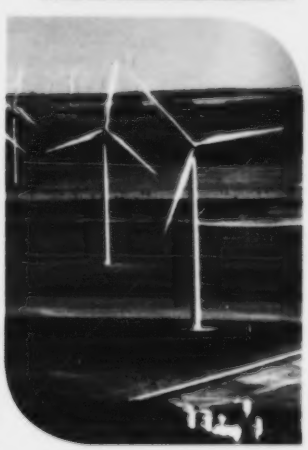














Manitoba

VOLUME 4

TABLE OF CONTENTS PAGE

SECTION 1:

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA 3

TABLE OF CONTENTS (SECTION 1) 10

SPECIAL FUNDS 12

CROWN ORGANIZATIONS 35

SECTION 2:

TABLE OF CONTENTS (SECTION 2) 541

CROWN ORGANIZATIONS (CONT'D) 543

SECTION 3:

TABLE OF CONTENTS (SECTION 3) 1165

CROWN ORGANIZATIONS (CONT'D) 1166

SECTION 4:

TABLE OF CONTENTS (SECTION 4) 1900

CROWN ORGANIZATIONS (CONT'D) 1901

GOVERNMENT ENTERPRISES 2241

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2008 consist of four volumes:

Volume 1

- Volume 1 is published as part of the Government's Annual Report and contains:
  - The Financial Statement Discussion and Analysis.
  - The Summary Financial Statements of the government focusing on the entire reporting entity.
  - The special purpose financial statements prepared for the Operating Fund, which focuses on the government's stewardship over the assets and operations of core government. Performance is related to the legislative authorities provided by the annual appropriation of funds by the Legislature through the Estimates process.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies' payments in excess of $5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund Borrowings and Guarantees.
- Contains the details of the Operating Fund Revenue and Expense.
- Contains information provided under Statutory Requirement.
- Contains glossary information.

These statements are all unaudited with the exception of the following:
- The Report of Amounts Paid to Members of the Assembly, and
- The Northern Affairs Fund.

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity, but is not considered to be part of the Public Accounts of Manitoba.

VOLUME 4

TABLE OF CONTENTS

		PAGE
Section 1:		
SPECIAL FUNDS:	**FISCAL YEAR ENDED**	
- Abandonment Reserve Fund	March 31, 2008	13
- Debt Retirement Fund	March 31, 2008	14
- Ethanol Fund	March 31, 2008	18
- Farm Machinery and Equipment Act Fund	March 31, 2008	19
- Fiscal Stabilization Fund	March 31, 2008	20
- Land Titles Assurance Fund	March 31, 2008	25
- Manitoba Law Reform Commission	March 31, 2008	26
- Manitoba Trucking Productivity Improvement Fund	March 31, 2008	27
- Mining Community Reserve	March 31, 2008	28
- Mining Rehabilitation Fund Reserve	March 31, 2008	29
- Pension Assets Fund	March 31, 2008	30
- Quarry Rehabilitation Reserve Fund	March 31, 2008	31
- Veterinary Science Scholarship Fund	March 31, 2008	32
- Victims Assistance Fund	March 31, 2008	33
- Workplace and Safety Public Education Fund	March 31, 2008	34
CROWN ORGANIZATIONS:		
- Addictions Foundation of Manitoba	March 31, 2008	36
- Assiniboine Community College	June 30, 2007	51
- Board of Administration under The Embalmers and Funeral Directors Act	December 31, 2007	65
- Brandon University	March 31, 2008	73
- CancerCare Manitoba	March 31, 2008	89
- Centre Culturel Franco-Manitobain	March 31, 2008	106
- Child and Family Services of Central Manitoba	March 31, 2008	118
- Child and Family Services of Western Manitoba	March 31, 2008	131
- Collège universitaire de Saint-Boniface	March 31, 2008	151
- Communities Economic Development Fund	March 31, 2008	168
- Cooperative Loans and Loans Guarantee Board	March 31, 2008	183
- Cooperative Promotion Board	March 31, 2008	188
- Council on Post-Secondary Education	March 31, 2008	198
- Crown Corporations Council	December 31, 2007	210
- Diagnostic Services of Manitoba Inc.	March 31, 2008	220
- Economic Innovation and Technology Council	March 31, 2008	239
- First Nations of Northern Manitoba Child & Family Services Authority	March 31, 2008	250
- First Nations of Southern Manitoba Child & Family Services Authority	March 31, 2008	261
- General Child and Family Services Authority	March 31, 2008	274
- Helen Betty Osborne Memorial Foundation	March 31, 2008	285
- Insurance Council of Manitoba	March 31, 2008	295

VOLUME 4

TABLE OF CONTENTS PAGE

- Legal Aid Services Society of Manitoba	March 31, 2008	305
- Manitoba Agricultural Services Coorporation	March 31, 2008	321
- Manitoba Arts Council	March 31, 2008	342
- Manitoba Boxing Commission	March 31, 2008	353
- Manitoba Centennial Centre Corporation	March 31, 2008	359
- Manitoba Community Services Council Inc	March 31, 2008	374
- Manitoba Development Corporation	March 31, 2008	382
- Manitoba Film and Sound Recording Development Corporation	March 31, 2008	399
- Manitoba Floodway Authority	March 31, 2008	406
- Manitoba Gaming Control Commission	March 31, 2008	416
- Manitoba Habitat Heritage Corporation	March 31, 2008	425
- Manitoba Health Research Council	March 31, 2008	445
- Manitoba Health Services Insurance Plan	March 31, 2008	455
- Manitoba Horse Racing Commission	March 31, 2008	464
- Manitoba Housing and Renewal Corporation	March 31, 2008	475
- Manitoba Opportunities Fund Ltd	March 31, 2008	497
- Manitoba Trade and Investment Corporation	March 31, 2008	508
- Manitoba Water Services Board	March 31, 2008	517
- Metis Child and Family Services Authority	March 31, 2008	529

Section 2:

CROWN ORGANIZATIONS (CONTINUED):

- Public School Divisions		
Beautiful Plains School Division	June 30, 2007	543
Border Land School Division	June 30, 2007	558
Brandon School Division	June 30, 2007	573
Division Scolaire Franco-Manitobaine	June 30, 2007	587
Evergreen School Division	June 30, 2007	602
Flin Flon School Division	June 30, 2007	618
Fort La Bosse School Division	June 30, 2007	634
Frontier School Division	June 30, 2007	651
Garden Valley School Division	June 30, 2007	676
Hanover School Division	June 30, 2007	691
Interlake School Division	June 30, 2007	706
Kelsey School Division	June 30, 2007	720
Lakeshore School Division	June 30, 2007	733
Lord Selkirk School Division	June 30, 2007	748
Louis Riel School Division	June 30, 2007	762
Mountain View School Division	June 30, 2007	777
Mystery Lake School District	June 30, 2007	795
Park West School Division	June 30, 2007	815
Pembina Trails School Division	June 30, 2007	832
Pine Creek School Division	June 30, 2007	849
Portage La Prairie School Division	June 30, 2007	864

VOLUME 4

TABLE OF CONTENTS

		PAGE
Prairie Rose School Division	June 30, 2007	880
Prairie Spirit School Division	June 30, 2007	897
Red River Valley School Division	June 30, 2007	912
River East Transcona School Division	June 30, 2007	926
Rolling River School Division	June 30, 2007	950
Seine River School Division	June 30, 2007	968
Seven Oaks School Division	June 30, 2007	984
Southwest Horizon School Division	June 30, 2007	1003
St. James-Assiniboia School Division	June 30, 2007	1021
Sunrise School Division	June 30, 2007	1041
Swan Valley School Division	June 30, 2007	1054
Turtle Mountain School Division	June 30, 2007	1071
Turtle River School Division	June 30, 2007	1086
Western School Division	June 30, 2007	1102
Whiteshell School District	June 30, 2007	1119
Winnipeg School Division	June 30, 2007	1132
Winnipeg Technical College	June 30, 2007	1147

Section 3:

CROWN ORGANIZATIONS (CONTINUED):

- Public Schools Finance Board	June 30, 2007	1166
- Red River College	June 30, 2007	1174
- Regional Health Authorities		
Assiniboine Regional Health Authority Inc.	March 31, 2008	1192
Brandon Regional Health Authority Inc.	March 31, 2008	1210
Affiliated Non-devolved Entities		
The Salvation Army Dinsdale Personal Care Home Inc.	March 31, 2008	1229
Westman Regional Laboratory	March 31, 2008	1246
Burntwood Regional Health Authority Inc.	March 31, 2008	1255
Churchill Regional Health Authority Inc.	March 31, 2008	1274
Interlake Regional Health Authority	March 31, 2008	1292
Nor - Man Regional Health Authority Inc.	March 31, 2008	1314
North Eastman Health Association Inc.	March 31, 2008	1331
Parkland Regional Health Authority Inc.	March 31, 2008	1349
Regional Health Authority - Central Manitoba Inc.	March 31, 2008	1370
South Eastman Health / Santé Sud-Est Inc.	March 31, 2008	1387
Winnipeg Regional Health Authority	March 31, 2008	1408
Affiliated Non-devolved Entities		
3885136 Manitoba Association Inc. (operating as Calvary Place Personal Care Home)	March 31, 2008	1443
Bethania Mennonite Personal Care Home Inc.	March 31, 2008	1457
Centre Taché Centre	March 31, 2008	1477
Clinique Youville Clinic Inc.	March 31, 2008	1498
Donwood Manor Personal Care Home Inc.	March 31, 2008	1511
Foyer Valade Inc.	March 31, 2008	1531
Fred Douglas Personal Care Home	March 31, 2008	1551

VOLUME 4

TABLE OF CONTENTS

		PAGE
Holy Family Nursing Home Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund	March 31, 2008	1572
Hope Centre Health Care Incorporated	March 31, 2008	1584
Klinic Incorporated	March 31, 2008	1590
LHC Personal Care Home Inc	March 31, 2008	1604
Luther Home Corporation	March 31, 2008	1616
M. F. L. Occupational Health and Safety Centre Inc	March 31, 2008	1628
Main Street Project, Inc	March 31, 2008	1639
Meadowood Manor Personal Care Home	March 31, 2008	1647
Middlechurch Home of Winnipeg Inc	March 31, 2008	1661
Mount Carmel Clinic	March 31, 2008	1682
Nine Circles Community Health Centre, Inc	March 31, 2008	1700
Nor'West Co-op Community Health Centre, Inc	March 31, 2008	1710
Odd Fellows and Rebekahs Personal Care Home Inc. Golden Links Lodge	March 31, 2008	1719
Park Manor Personal Care Home, Inc	March 31, 2008	1737
Pembina Place Mennonite Personal Care Home Inc	March 31, 2008	1750
St. Amant Inc	March 31, 2008	1766
St. Joseph's Residence Inc	March 31, 2008	1782
Sexuality Education Resource Centre Manitoba, Inc	March 31, 2008	1796
The Convalescent Home of Winnipeg	March 31, 2008	1806
The Salvation Army Golden West Centennial Lodge	March 31, 2008	1824
The Sharon Home Inc	March 31, 2008	1844
West Park Manor Personal Care Home Inc	March 31, 2008	1865
Women's Health Clinic Inc	March 31, 2008	1876
- Rehabilitation Centre for Children, Inc	March 31, 2008	1888

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

- Special Operating Agencies Financing Authority	March 31, 2008	1901
Civil Legal Services	March 31, 2008	1918
Companies Office	March 31, 2008	1928
Crown Lands and Property Agency	March 31, 2008	1939
Fleet Vehicles Agency	March 31, 2008	1950
Food Development Centre	March 31, 2008	1965
Green Manitoba Eco Solutions	March 31, 2008	1980
Industrial Technology Centre	March 31, 2008	1992
Manitoba Education, Research and Learning Information Networks (MERLIN)	March 31, 2008	2002
Manitoba Securities Commission	March 31, 2008	2014
Manitoba Text Book Bureau	March 31, 2008	2027
Materials Distribution Agency	March 31, 2008	2038
Office of the Fire Commissioner	March 31, 2008	2054
Organization and Staff Development	March 31, 2008	2070
Pineland Forest Nursery	March 31, 2008	2081
The Property Registry	March 31, 2008	2093

VOLUME 4

TABLE OF CONTENTS

		PAGE
The Public Trustee	March 31, 2008	2106
Vital Statistics Agency	March 31, 2008	2120
- Sport Manitoba Inc.	March 31, 2008	2134
- Tire Stewardship Board	March 31, 2008	2147
- Travel Manitoba	March 31, 2008	2154
- University College of The North	June 30, 2007	2165
- University of Manitoba	March 31, 2008	2182
- University of Winnipeg	March 31, 2008	2202
- Venture Manitoba Tours Ltd.	March 31, 2008	2232

GOVERNMENT ENTERPRISES:

- Leaf Rapids Town Properties Ltd.	March 31, 2008	2242
- Manitoba Hazardous Waste Management Board	March 31, 2008	2243
- Manitoba Hydro - Electric Board	March 31, 2008	2253
- Manitoba Liquor Control Commission	March 31, 2008	2278
- Manitoba Lotteries Corporation	March 31, 2008	2290
- Manitoba Product Stewardship Corporation	March 31, 2008	2306
- Manitoba Public Insurance Corporation	February 28, 2008	2317
- Workers Compensation Board of Manitoba	December 31, 2007	2343

VOLUME 4 - SECTION 1

TABLE OF CONTENTS

PAGE

Section 1:

SPECIAL FUNDS:	FISCAL YEAR ENDED	
- Abandonment Reserve Fund	March 31, 2008	13
- Debt Retirement Fund	March 31, 2008	14
- Ethanol Fund	March 31, 2008	18
- Farm Machinery and Equipment Act Fund	March 31, 2008	19
- Fiscal Stabilization Fund	March 31, 2008	20
- Land Titles Assurance Fund	March 31, 2008	25
- Manitoba Law Reform Commission	March 31, 2008	26
- Manitoba Trucking Productivity Improvement Fund	March 31, 2008	27
- Mining Community Reserve	March 31, 2008	28
- Mining Rehabilitation Fund Reserve	March 31, 2008	29
- Pension Assets Fund	March 31, 2008	30
- Quarry Rehabilitation Reserve Fund	March 31, 2008	31
- Veterinary Science Scholarship Fund	March 31, 2008	32
- Victims Assistance Fund	March 31, 2008	33
- Workplace and Safety Public Education Fund	March 31, 2008	34

CROWN ORGANIZATIONS:		
- Addictions Foundation of Manitoba	March 31, 2008	36
- Assiniboine Community College	June 30, 2007	51
- Board of Administration under The Embalmers and Funeral Directors Act	December 31, 2007	65
- Brandon University	March 31, 2008	73
- CancerCare Manitoba	March 31, 2008	89
- Centre Culturel Franco-Manitobain	March 31, 2008	106
- Child and Family Services of Central Manitoba	March 31, 2008	118
- Child and Family Services of Western Manitoba	March 31, 2008	131
- Collège universitaire de Saint-Boniface	March 31, 2008	151
- Communities Economic Development Fund	March 31, 2008	168
- Cooperative Loans and Loans Guarantee Board	March 31, 2008	183
- Cooperative Promotion Board	March 31, 2008	188
- Council on Post-Secondary Education	March 31, 2008	198
- Crown Corporations Council	December 31, 2007	210
- Diagnostic Services of Manitoba Inc	March 31, 2008	220
- Economic Innovation and Technology Council	March 31, 2008	239
- First Nations of Northern Manitoba Child & Family Services Authority	March 31, 2008	250
- First Nations of Southern Manitoba Child & Family Services Authority	March 31, 2008	261
- General Child and Family Services Authority	March 31, 2008	274
- Helen Betty Osborne Memorial Foundation	March 31, 2008	285
- Insurance Council of Manitoba	March 31, 2008	295

TABLE OF CONTENTS PAGE

- Legal Aid Services Society of Manitoba	March 31, 2008	305
- Manitoba Agricultural Services Coorporation	March 31, 2008	321
- Manitoba Arts Council	March 31, 2008	342
- Manitoba Boxing Commission	March 31, 2008	353
- Manitoba Centennial Centre Corporation	March 31, 2008	359
- Manitoba Community Services Council Inc	March 31, 2008	374
- Manitoba Development Corporation	March 31, 2008	382
- Manitoba Film and Sound Recording Development Corporation	March 31, 2008	399
- Manitoba Floodway Authority	March 31, 2008	406
- Manitoba Gaming Control Commission	March 31, 2008	416
- Manitoba Habitat Heritage Corporation	March 31, 2008	425
- Manitoba Health Research Council	March 31, 2008	445
- Manitoba Health Services Insurance Plan	March 31, 2008	455
- Manitoba Horse Racing Commission	March 31, 2008	464
- Manitoba Housing and Renewal Corporation	March 31, 2008	475
- Manitoba Opportunities Fund Ltd	March 31, 2008	497
- Manitoba Trade and Investment Corporation	March 31, 2008	508
- Manitoba Water Services Board	March 31, 2008	517
- Metis Child and Family Services Authority	March 31, 2008	529

SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	508,286	355,623
RECEIPTS:		
Royalties	184,088	270,526
Other Recoveries	-	-
Interest	4,502	3,953
	188,590	274,479
DISBURSEMENTS:		
Rehabilitation payments	10,443	121,816
Balance, end of year	686,433	508,286

DEBT RETIREMENT FUND

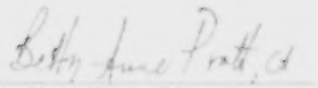
STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared with reasonable limits of materiality, incorporating management's best judgment regarding estimates and other data available up to August 27, 2008.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

On behalf of Management



Betty-Anne Pratt, CA
Provincial Comptroller
August 27, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT
On The Debt Retirement Fund

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2008 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
August 27, 2008

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2008
(in thousands)

	2008 $	2007 $
ASSETS		
Funds on Deposit with the Minister of Finance (Note 3)	78,115	51,000
	78,115	51,000
FUND BALANCE		
Fund Balance	78,115	51,000

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2008
(in thousands)

	2008 $	2007 $
Revenue		
Interest Income	2,115	1,000
Fund Balance, beginning of year	51,000	25,000
	53,115	26,000
Transfers		
Transfer from the Operating Fund (Note 4)	110,495	110,495
Transfers for Pension Obligation (Note 4)	(85,495)	(85,495)
	25,000	25,000
Fund Balance, end of year	78,115	51,000

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the *Balanced Budget, Debt Repayment and Taxpayer Protection Act*, which received Royal Assent on November 3, 1995. The purpose of the Fund was to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act.

On August 18, 2000, the *Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act* was passed amending *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*, with related amendments to *The Fiscal Stabilization Fund Act* and *The Financial Administration Act*. The Bill changed the name of the Act to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for senior governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Funds on Deposit with the Minister of Finance

Cash equivalents are recorded at cost which approximates market value. Portfolio investments are recorded at cost.

3. Funds on Deposit with the Minister of Finance

	(thousands)	
	2008	2007
	$	$
Cash and cash equivalents	78,115	51,000

4. Transfer for Debt Retirement and Pension Obligation

The Government transferred $110 million (2007 - $110 million) to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Government transferred $85 million (2007 - $85 million) from the Debt Retirement Fund for the specific purpose of providing for the future retirement of pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

5. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

THE ETHANOL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Four Months Ended March 31, 2008

	2008 $
Balance, beginning of period	-
RECEIPTS:	
Transfer of Gasoline Tax Revenue	5,209,987
DISBURSEMENTS:	
Payments	-
Balance, end of period	5,209,987

NOTE The Ethanol fund was established by The Biofuels Act on December 1, 2007. Pursuant to the Act, the purpose of the Ethanol Fund is to support the production of denatured ethanol in Manitoba

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008	2007
	$	$
Balance, beginning of year	494,429	475,819
RECEIPTS:		
Interest Revenue	19,913	18,610
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	514,342	494,429

FISCAL STABILIZATION FUND

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared with reasonable limits of materiality, incorporating management's best judgment regarding estimates and other data available up to September 17, 2008.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Betty-Anne Pratt, CA
Provincial Comptroller
September 17, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT
On The Fiscal Stabilization Fund

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2008 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 17, 2008

Carol Bellringer, FCA, MBA
Auditor General

500 – 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2008
(in thousands)

	2008 $	2007 $
ASSETS		
Funds on Deposit with the Minister of Finance (Note 3)	818,076	663,150
FUND BALANCE		
Fund Balance	818,076	663,150

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2008
(in thousands)

	2008 $	2007 $
Revenue		
Interest Income	26,998	20,648
Fund Balance, beginning of year	663,150	531,987
	690,148	552,635
Transfers		
Transfer from the Operating Fund (Note 4)	127,928	110,515
	127,928	110,515
Fund Balance, end of year (Note 5)	818,076	663,150

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of *The Fiscal Stabilization Fund Act*, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Fiscal Stabilization Fund any earnings from investment of the Fiscal Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

On August 18, 2000, the *Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act* was passed amending *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*, with related amendments to *The Fiscal Stabilization Fund Act* and *The Financial Administration Act*.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for senior governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Funds on Deposit with the Minister of Finance

Cash equivalents are recorded at cost which approximates market value.

c) Interest Income

Funds represented by specific investments (cash equivalents) attributed to the Fund earn interest income based upon the rates of return of those investments less a nominal administrative fee. Funds represented by cash earn interest income at the Bank of Canada overnight rate, less a nominal administrative fee. Transfers from the Fund are deemed to have occurred at the beginning of the year and transfers to the Fund occur at March 31.

3. Funds on Deposit with the Minister of Finance

	(thousands)	
	2008	2007
	$	$
Cash and cash equivalents	818,076	663,150

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

4. Transfer from the Operating Fund

The *Balanced Budget, Debt Repayment and Taxpayer Accountability Act* and *The Fiscal Stabilization Fund Act* require any Operating Fund positive balance to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority, with the approval of the Lieutenant Governor in Council, to transfer additional positive balances to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenses of the Operating Fund or approximately $470 million, based on 2007-2008 expenses. As reported in the Public Accounts of the Province of Manitoba for 2007-2008, the Operating Fund had a positive balance of $128 million (2007 - $110 million), which was transferred to the Fiscal Stabilization Fund.

5. Fiscal Stabilization Fund by Program

	(thousands)	
	$	$
	2008	2007
Health Program		
Program Fund Balance - Beginning of Year	175,195	202,411
Interest Earnings	7,132	7,856
Transfer to General Programs		
- Wait Time Reduction Programming	(25,322)	(27,419)
- Other Health Related Programming	(9,144)	(7,653)
Program Fund Balance – End of Year	147,861	175,195
General Program		
Program Fund Balance – Beginning of Year	487,955	329,576
Interest Earnings	19,866	12,792
Recovered from Health Programs		
- Wait Time Reduction Programming	25,322	27,419
- Other Health Related Programming	9,144	7,653
Transfer from the Operating Fund		
- Year-end Positive Balance	127,928	110,515
Program Fund Balance – End of Year	670,215	487,955
Total Fund Balance, End of Year	**818,076**	**663,150**

It is the Government's policy to designate the Fiscal Stabilization Fund into two programs, the Health Program and the General Program. Funds were allocated to the Health Program based on funds received from the Federal Government for Wait Time Reduction Programming and Other Health Related programming. Interest earned by the Fiscal Stabilization Fund is allocated proportionately to these two programs. As funds are expended related to the Health Program, the Government will designate a transfer back to the General Program.

6. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	170,516	148,190
RECEIPTS:		
Premiums	24,712	23,529
DISBURSEMENTS:		
Claims	46,720	1,203
Balance, end of year	148,508	170,516

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	32,675	40,676
RECEIPTS:		
Department of Justice	85,000	85,000
Law Society of Manitoba	10,500	-
Manitoba Law Foundation	-	75,000
	95,500	160,000
DISBURSEMENTS:		
Claims	91,769	168,001
Balance, end of year	36,406	32,675

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	532,219	181,343
RECEIPTS:		
Contributions	-	-
Interest	23,025	7,215
Miscellaneous	50,000	343,661
	73,025	350,876
DISBURSEMENTS:		
Payments	-	-
Balance, end of year	605,244	532,219

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	14,512,452	13,046,575
RECEIPTS:		
Transfer of Mining Tax Revenues	3,017,075	2,924,738
Ruttan Worker Adjustment Committee Recovery	-	50,693
Interest received during the year	624,645	534,658
	3,641,720	3,510,089
DISBURSEMENTS:		
Hudson Bay Mining and Smelting Company Ltd	-	-
RBC Financial Group	-	-
Snow Lake Family Resource	-	-
Snow Lake Relocation	-	-
Town of Leaf Rapids	65,000	195,000
Town of Lynn Lake	45,000	26,646
Town of Snow Lake	7,213	20,000
Transfer to General Revenue	2,084,806	1,802,566
	2,202,019	2,044,212
Balance, end of year	15,952,153	14,512,452

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	462,256	198,412
RECEIPTS:		
Royalties	245,533	281,066
Interest	24,036	8,745
	269,569	289,811
DISBURSEMENTS:		
Payments	-	25,967
Balance, end of year	731,825	462,256

PENSION ASSETS FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2008

	2008	2007
ASSETS		
Funds on Deposit:		
Civil Service Superannuation Fund	395,744,258	323,688,626
Teacher's Retirement Allowances Fund	1,846,800,340	375,575,601
	2,242,544,598	699,264,227
FUND BALANCE		
Fund Balance	2,242,544,598	699,264,227

PENSION ASSETS FUND
STATEMENT OF RECEIPTS, EXPENSES AND FUND BALANCE

For the Year Ended March 31, 2008

	2008	2007
RECEIPTS		
Contributions		
Debt Retirement Fund	85,495,180	85,495,180
Special Operating Agencies	1,822,990	1,763,402
Operating Fund	1,511,163,115	6,947,799
Crown Organizations	2,176,122	1,526,117
Investment earnings (loss)	6,192,409	67,523,877
	1,606,849,816	163,256,375
DISBURSEMENTS		
Pension Payments	60,397,270	-
Management fees	3,172,175	978,449
	63,569,445	978,449
Excess of receipts over disbursements	1,543,280,371	162,277,926
Fund Balance, beginning of year	699,264,227	536,986,301
Fund Balance, end of year	2,242,544,598	699,264,227

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	6,066,579	5,901,287
RECEIPTS:		
Royalties	1,888,139	1,749,903
Interest	225,180	204,450
	2,113,319	1,954,353
DISBURSEMENTS:		
Rehabilitation payments	1,299,101	1,789,061
Balance, end of year	6,880,797	6,066,579

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	4,753	2,578
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	7,260	8,175
Repayment of bursaries	15,600	15,600
	22,860	23,775
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	19,800	21,600
Balance, end of year	7,813	4,753

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2008
(with comparative figures for the year ended March 31, 2007)

	2008 $	2007 $
Balance, beginning of year	2,547,009	1,674,289
RECEIPTS:		
Surcharge on Provincial Fines	4,437,743	4,516,610
Interest	75,212	53,320
	4,512,955	4,569,930
DISBURSEMENTS:		
Operating expenses	3,362,500	3,697,210
Balance, end of year	3,697,464	2,547,009

THE WORKPLACE AND SAFETY
PUBLIC EDUCATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Ten Months Ended March 31, 2008

	2008 $
Balance, beginning of period	-
RECEIPTS:	
Department of Labour and Immigration	9,500
DISBURSEMENTS:	
Payments	-
Balance, end of period	9,500

NOTE: The Workplace and Safety Public Education Fund was established on June 29, 2007 for the purpose of educating the public on matters related to workplace safety and health

CROWN ORGANIZATIONS

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the statement of financial position of Addictions Foundation of Manitoba (the Foundation) as at March 31, 2008 and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

May 30, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.
KPMG Canada provides services to KPMG LLP.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 1,718,481	$ 1,832,271
Accounts receivable	553,117	558,663
Prepaid insurance	25,824	22,835
Vacation pay recoverable from the Province of Manitoba (note 5)	667,567	667,567
	2,964,989	3,081,336
Capital assets (note 6)	5,114,756	2,966,802
Recoverable from the Province of Manitoba:		
Pre-retirement pay (note 7)	1,153,316	1,153,316
Long-term pension funding (note 8)	18,556,423	17,474,908
	19,709,739	18,628,224
	$ 27,789,484	$ 24,676,362
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,310,160	$ 895,420
Bank indebtedness related to capital assets (note 9)	1,868,788	–
Accrued vacation pay (note 5)	1,259,688	1,008,077
	4,438,636	1,903,497
Accrued pre-retirement pay (note 7)	1,865,611	1,570,591
Provision for employee pension benefits (note 8)	18,556,423	17,474,908
Deferred contributions (note 10)	52,800	58,500
Net assets (deficiency):		
Invested in capital assets	3,245,968	2,966,802
Internally restricted (note 11)	994,000	1,338,300
Unrestricted	(1,363,954)	(636,236)
	2,876,014	3,668,866
Continuity of operations (note 1)		
Commitments (note 12)		
	$ 27,789,484	$ 24,676,362

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Chairman

Treasurer

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Revenue and Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Government of the Province of Manitoba:		
Operating	$ 14,903,707	$ 13,739,481
Long-term pension	778,765	938,845
Capital	97,806	528,401
Impaired Drivers Program fees	839,292	662,595
Manitoba Lotteries Corporation	2,706,500	2,630,000
School Support Program	382,317	461,833
Recovery of wages, medical and treatment services and travel expenses	747,093	906,622
Youth Residential Programs	327,100	339,050
Drug Treatment Court Program	395,931	280,596
Long-term disability pension contribution refund	–	301,066
Youth Outreach Program	–	87,500
Youth Stabilization Program	–	240,000
Other (schedule A)	289,941	275,975
	21,468,452	21,391,964
Expenses:		
Salaries	11,283,039	10,541,765
Wages	3,058,682	2,704,813
Amortization	193,834	175,726
Drug Treatment Court program	368,281	255,633
Employee benefits	1,281,853	1,208,215
Health and post-secondary education tax levy	302,196	269,577
Pension (note 8)	1,802,631	1,977,997
Other (schedule B)	3,970,788	3,992,744
	22,261,304	21,126,470
Excess (deficiency) of revenue over expenses	$ (792,852)	$ 265,494

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in capital assets	Internally restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	$ 2,966,802	$ 1,338,300	$ (636,236)	$ 3,668,866	$ 3,403,372
Excess (deficiency) of revenue over expenses	(193,834)	–	(599,018)	(792,852)	265,494
Investment in capital assets	473,000	–	(473,000)	–	–
Internally imposed restrictions, net (note 11)	–	(344,300)	344,300	–	–
Balance, end of year	$ 3,245,968	$ 994,000	$ (1,363,954)	$ 2,876,014	$ 3,668,866

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (792,852)	$ 265,494
Items not involving cash:		
Amortization	193,834	175,726
Changes in non-cash operating working capital:		
Accounts receivable	5,546	2,723
Prepaid insurance	(2,989)	(6,526)
Accounts payable and accrued liabilities	414,740	(404,241)
Accrued vacation pay	251,611	89,285
Accrued pre-retirement pay	295,020	102,679
Net change in deferred contributions	(5,700)	(1,000)
	359,210	224,140
Financing and investing activities:		
Additions to capital assets	(2,341,788)	(503,657)
Increase in bank indebtedness related to capital assets	1,868,788	–
	(473,000)	(503,657)
Decrease in cash	(113,790)	(279,517)
Cash, beginning of year	1,832,271	2,111,788
Cash, end of year	$ 1,718,481	$ 1,832,271

See accompanying notes to financial statements

Nature of the Foundation:

The Foundation is incorporated under the *Addictions Foundation of Manitoba Act*. The Foundation is the provincial authority for providing prevention, education and treatment programs related to addictions to individuals and communities, for conducting research into the negative effects of addictions, and in so doing, for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the *Income Tax Act*.

1. Continuity of operations:

At March 31, 2008, the Foundation's current liabilities exceed its current assets by $1,473,647. The Foundation also had an unrestricted net asset deficiency of $1,363,954 (2007 - $636,236) at March 31, 2008 due mainly as a result of operating losses in fiscal 2008 and prior.

The ability of the Foundation to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the Foundation continuing to operate at a break-even or surplus position in future years, and the continued support of the Government of the Province of Manitoba.

2. Significant accounting policies:

(a) Capital assets:

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. The amortization methods and annual rates applicable to the various classes of assets are as follows:

Asset	Method	Rate
Buildings	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Over term of lease	

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. With respect to recovery of wages, medical and treatment services, revenue is recognized upon completion of the related treatment.

(c) Vacation pay recoverable:

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year end. This amount is based on current remuneration.

(d) Pension costs:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Foundation to contribute 50 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Foundation for the employer's share of current and past service pension obligations.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policy:

The Foundation adopted the new standard, Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the Foundation designated cash as held-for-trading, accounts receivable, vacation pay recoverable, pre-retirement pay recoverable and long-term pension funding recoverable as loans and receivables, and accounts payable and accrued liabilities, bank indebtedness related to capital assets, and accrued vacation pay as other liabilities. The Foundation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on April 1, 2007 had no material impact on opening net assets.

4. Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the organization on April 1, 2008.

4. Future accounting changes (continued):

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Foundation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

5. Vacation pay recoverable from the Province of Manitoba:

The Province of Manitoba funds a portion of the vacation pay benefits of the Foundation which is limited to the amount estimated at March 31, 1995. Accordingly, the Foundation has recorded a receivable in the amount of $667,567 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. The Foundation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

6. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 535,065	$ –	$ 535,065	$ 535,065
Buildings	4,041,660	2,644,413	1,397,247	1,447,770
Computer equipment	945,416	667,148	278,268	192,176
Furniture and equipment	250,430	148,215	102,215	27,439
Leasehold improvements	640,575	227,213	413,362	436,934
Building under construction	2,388,599	–	2,388,599	327,418
	$ 8,801,745	$ 3,686,989	$ 5,114,756	$ 2,966,802

7. Province of Manitoba pre-retirement pay:

The Foundation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility. At March 31, 2008, based on an actuarial estimate, the obligation under the pre-retirement pay is estimated to be approximately $1,865,611 (2007 - $1,570,591) for which the Foundation has recorded an accrued pre-retirement pay liability on the statement of financial position.

The amount of funding which will be provided by the Province of Manitoba for pre-retirement pay was initially determined based on the pre-retirement pay liability as at April 1, 1998 and was recorded as a receivable from the Province of Manitoba. Since fiscal 1999, the Foundation received funding on an annual basis from the Province, which includes funding for the change in the pre-retirement pay liability and retirement payments in the year, including an interest component on the pre-retirement pay receivable. The pre-retirement pay receivable from the Province at March 31, 2008 aggregates $1,153,316 (2007 - $1,153,316) and has no specified terms of repayment.

The fair value of the pre-retirement pay receivable from the Province approximates its carrying value as the interest component is comparable to current market rates.

8. Provision for employee pension benefits:

The Foundation records the actuarial pension liability and the related pension expense in its financial statements. Based on extrapolation from the most recent actuarial report dated December 31, 2004, the Foundation has recorded an amount of $18,556,423 (2007 - $17,474,908) in its financial statements, representing the estimated unfunded liability for the Foundation's employees as at March 31, 2008. Total pension expense of $1,802,631 (2007 - $1,977,997) has been recorded in the statement of operations, which includes an interest component.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense including the interest component. The Foundation has therefore recorded an amount receivable from the Province of Manitoba of $18,556,423 (2007 - $17,474,908) relating to this liability in its financial statements, and has recorded associated revenue of $778,765 (2007 - $938,845). The long-term pension funding recoverable due from the Province of Manitoba has no specified terms of repayment.

9. Bank indebtedness related to capital assets:

The Foundation has an operating interim construction loan credit facility with a maximum limit of $8,289,454. Advances on this credit facility are payable on demand and bear interest at prime less 1.00 percent per annum. The facility is secured by a letter of comfort from Manitoba Health and interest only is payable until commencement of repayment initiated by Manitoba Health. As at March 31, 2008, the Foundation utilized $1,868,788 of the available line of credit.

10. Deferred contributions:

	2008	2007
Balance, beginning of year	$ 58,500	$ 59,500
Amount recognized as revenue in the current year	(5,700)	(1,000)
Balance, end of year	$ 52,800	$ 58,500

11. Internally restricted net assets:

Internally restricted net assets represent commitments for future expenditures on projects and capital expenditures. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenses as appropriate and the restrictions are reversed.

	2008	2007
Balance, beginning of year	$ 1,338,300	$ 962,000
Internal restrictions settled in the current year	(530,400)	(38,700)
Internal restrictions imposed for future years	186,100	415,000
	(344,300)	376,300
Balance, end of year	$ 994,000	$ 1,338,300

11. Internally restricted net assets (continued):

Internal restrictions have been imposed for the following:

	2008	2007
Retroactive pay	$ –	$ 295,000
Ontario Health referrals potential cancellation	325,000	325,000
Pathways conference	13,700	13,700
Provincial technology program	200,000	200,000
Youth services	321,500	269,200
Problem gambling services special projects	–	235,400
Impaired drivers' program	133,800	–
	$ 994,000	$ 1,338,300

12. Commitments:

The Foundation is in the process of constructing a new residential care and outreach facility and as at March 31, 2008 is committed to additional expenditures totaling $6,420,666. These expenditures will be funded by the interim construction loan credit facility described in note 9.

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2009 and 2013. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

2009	$ 234,323
2010	120,627
2011	74,185
2012	23,861
2013	6,540
	$ 459,536

13. Fair value:

The fair value of the pre-retirement pay recoverable and the long-term pension funding recoverable from the Province of Manitoba approximates the carrying value as the interest component (see notes 7 and 8) is comparable to current market rates.

The fair value of accounts receivable, vacation pay recoverable, bank indebtedness, accounts payable and accrued liabilities and accrued vacation pay approximates their carrying value due to the short-term nature of these instruments

14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

ADDICTIONS FOUNDATION OF MANITOBA

Other Revenue

Schedule A

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Training course fees	$ 57,419	$ 79,787
Donations	35,008	34,139
Interest	94,778	67,333
Property rental	25,910	24,397
Parking rentals	23,671	23,844
Manitoba Government and General Employees' Union	5,456	15,499
Miscellaneous	47,699	7,991
Conferences	–	22,985
	$ 289,941	$ 275,975

ADDICTIONS FOUNDATION OF MANITOBA

Other Expenses

Schedule B

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Advertising and exhibits	$ 61,431	$ 94,105
Audio-visual aids	61,219	24,250
Audit	19,709	23,190
Board of Governors' honorarium	13,839	14,902
Books, newspapers and periodicals	29,437	28,349
Courier and freight	40,384	35,245
Educational literature	105,574	89,247
Fees	744,688	637,592
Food supplies	343,135	347,741
Household supplies	75,538	87,387
Materials, repairs and maintenance	454,993	599,598
Medical services and supplies	369,182	338,554
Miscellaneous	3,794	6,184
Postage and telephone	280,781	295,709
Printing, stationery and office supplies	243,091	238,892
Rent, insurance and property taxes	386,242	375,633
Staff development	61,581	80,776
Training	27,899	21,673
Transportation of patients	21,355	21,349
Travel and automobile	393,082	408,003
Utilities	233,834	224,365
	$ 3,970,788	$ 3,992,744

BDO

BDO Dunwoody LLP
Chartered Accountants
and Advisors

117-10th Street
Brandon Manitoba Canada R7A 4E7
Telephone: (204) 727-0671
Telefax: (204) 726-4580
www.bdo.ca

Auditors' Report

To the Directors of
Assiniboine Community College

We have audited the statement of financial position of **Assiniboine Community College** as at June 30, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
September 4, 2007

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2007
(In thousand $)

ASSETS	2007	2006
CURRENT		
Cash and short term investments (note 1)	$3,658	$2,246
Accounts receivable (note 2)	1,282	899
Due from Province of Manitoba (note 3)	522	522
Inventories (note 4)	47	589
Prepaids	469	590
	5,978	**4,846**
NON-CURRENT		
Due from Province of Manitoba (note 3)	1,999	1,999
CAPITAL ASSETS (note 5)		
Land, buildings and equipment	5,922	5,418
Library holdings	911	960
	6,833	**6,378**
	14,810	**13,223**
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 6)	3,162	2,935
Deferred revenue (note 7)	1,385	1,160
	4,547	**4,095**
NON-CURRENT		
Long term loan	1,061	0
Accrued severance liability	1,769	1,782
	2,830	**1,782**
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 9)	2,787	2,845
NET ASSETS		
Net assets invested in capital assets	4,046	3,531
Net assets internally restricted (note 10)	840	840
Unrestricted net assets	(240)	130
	4,646	**4,501**
	$14,810	**$13,223**

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2007
(in thousand $)

	Budget (unaudited)	2007	2006
REVENUES			
Academic training fees	$3,043	$2,982	$2,929
Grants	18,522	18,542	17,747
Market driven training	1,835	1,212	1,990
Continuing education	1,101	1,028	1,074
Ancillary services (bookstore)	1,246	1,256	1,125
Apprenticeship training	1,417	1,332	1,368
Other revenue	408	479	398
Amortization of deferred contributions	1,015	1,015	1,040
	28,587	**27,846**	**27,671**
EXPENDITURES			
Academic	17,168	16,242	16,818
Administration	5,855	5,619	5,480
Program support	1,467	1,412	1,043
Plant	478	439	398
Management information services	1,051	1,114	973
Library	293	303	273
Ancillary services	1,161	1,458	1,090
Amortization of capital assets	1,114	1,115	1,578
	28,587	**27,702**	**27,653**
EXCESS OF REVENUE OVER EXPENDITURES	**$0**	**$144**	**$18**

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007
(In thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2007 TOTAL	2006 TOTAL
Balance - beginning of year	$3,531	$840	$130	$4,502	$4,484
Excess of revenue over expenditures	-	-	144	144	18
Add: amortization of deferred contributions	1,015	-	(1,015)	-	-
Less: amortization of capital assets	(1,115)	-	1,115	-	-
Deferred contributions received from grant	(930)	-	930	-	-
Deferred contributions from donated assets	(25)	-	25	-	-
Deferred contributions from donated library holdings	(1)	-	1	-	-
Investment in library holdings	1	-	(1)	-	-
Library holdings valuation adjustment	(50)	-	50	-	-
Investment from donated assets	25	-	(25)	-	-
Investment in capital assets	1,594	-	(1,594)	-	-
Balance - end of year	$4,045	$840	($240)	$4,646	$4,502

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007
(in thousand $)

	2007	2006
Cash from operating activities		
Excess of revenues over expenditures	$144	$18
Amortization of capital assets	1,115	1,578
Amortization of deferred capital contributions	(1,015)	(1,040)
Change in non-cash working capital items	1,782	564
Net cash generated through operating activities	**2,026**	**1,120**
Financing and investing activities		
Purchase of capital assets	(1,594)	(1,239)
Donated capital assets	(25)	50
Donated library holdings	(1)	-
Contributions received for capital purposes	1,006	680
Net cash used in financing and investing activities	**(614)**	**(509)**
Net increase in cash and short term investments	**1,412**	**611**
Cash and short term investments, beginning of year	2,246	1,635
Cash and short term investments, end of year	$3,658	$2,246
Interest paid in year	$3	$0

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Community College
Summary of Significant Accounting Policies

June 30, 2007

Operations

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the Income Tax Act.

In accordance with the activities or objectives specified by donors and other sources outside the College and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable, and severance liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. Accounts receivable are not concentrated to any one or group of students or organizations. Likewise, trade payables are subject to normal credit terms and are not concentrated to any one or group of suppliers. Amounts relating to severance and vacation liabilities are not subject to interest, penalties or set terms of repayment.

Investments

Investments are recorded at the lower of cost or market value.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Assiniboine Community College
Summary of Significant Accounting Policies

June 30, 2007

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at 20% per annum for acquisitions prior to June 30, 2002. For acquisitions in 2002 and future years, amortization is provided using the straight-line method at the following rates:

Buildings	2 %
Leasehold improvements	Term equal to the length of the lease plus one renewal term, or 2% per annum if no specified lease term
Computer systems	20 %
Computer equipment	33 %
Furniture and equipment	20 %

No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant. An adjustment to the "base stock" method has been applied in the current year to reflect a decrease in the books maintained by the library.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Deferred Revenue

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

Assiniboine Community College
Summary of Significant Accounting Policies

June 30, 2007

Revenue Recognition

Government grants are recognized when the final amount to be received is readily determinable.

Tuition and other training revenue is recognized when the final amount to be received is readily determinable. In the case of funding received for programs taking place over a period of time longer than 1 year, the revenues are recognized when the related expenditures are incurred.

The deferral method of accounting for contributions is used. Restricted contributions are deferred and match with the related expenses when incurred.

Donations are reported when received. Donations of Capital Assets are reported at fair market value.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

June 30, 2007

1. Cash and Short-term Investments

	2007	2006
Cash	$ 920	$ 439
Term deposits - Manitoba Finance	2,738	1,807
	$ 3,658	$ 2,246
Market value	$ 3,658	$ 2,246

2. Accounts Receivable

	2007	2006
Tuition and contract training	$ 1,245	$ 900
Goods and Services Tax rebate	58	33
Allowance for doubtful accounts	(21)	(34)
	$ 1,282	$ 899

3. Due from Province of Manitoba

	2007	2006
Current		
Property taxes	$ 331	$ 331
Accommodation cost-recovery system	180	180
10% tuition rebate	11	11
	$ 522	$ 522
Non-current		
Vacation pay	$ 875	$ 875
Severance pay	1,124	1,124
	$ 1,999	$ 1,999
	$ 2,521	$ 2,521

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of $1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out $668,635 in severance pay relating to pre-1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

4. Inventories

	2007	2006
Books and supplies	$ 47	$ 589

5. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 12	$ -	$ 12	$ -
Buildings	206	66	178	63
Computer systems and equipment	4,463	2,920	4,102	2,121
Furniture and equipment	11,312	8,788	10,640	8,498
Leasehold improvements	2,940	1,237	2,380	1,212
	$ 18,933	$ 13,011	$ 17,312	$ 11,894
Net book value		$ 5,922		$ 5,418
Library holdings, at estimated value			$ 911	$ 960

6. Accounts Payable and Accrued Liabilities

	2007	2006
Trade payables	$ 1,333	$ 938
Accrued vacation pay	1,829	1,997
	$ 3,162	$ 2,935

7. Deferred Revenue

	2007	2006
Tuition and commitment fees	$ 241	$ 244
Contract training fees	975	712
Classroom rentals, parking and other deferrals	169	204
	$ 1,385	$ 1,160

8. Accrued Severance Liability

The service to date obligation is calculated based on an actuarial report as at March 31, 2005. The calculations used in the actuarial report to determine the liability outstanding as at March 31, 2005 are applied to the current year to determine the estimated accrued severance liability at June 30, 2007.

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received from the Manitoba Council for Post-Secondary Education that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2007	2006
Balance, beginning of year	$ 2,845	$ 3,155
Add: Capital contributions during the year		
Government grant	695	680
Add: Donations in kind	262	50
Less: Current year amortization	(1,015)	(1,040)
Net book value, end of year	$ 2,787	$ 2,845

10. Net Assets Internally Restricted

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
Opening balance	$ 435	$ 64	$ 341	$ 840
Appropriations	-	-	-	-
Withdrawals	-	-	-	-
Ending balance	$ 435	$ 64	$ 341	$ 840

11. Grants

	2007	2006
Grants Received	$ 19,733	$ 18,646
Add:		
Release of deferred revenue	-	11
Less:		
Deferred capital contributions	(930)	(680)
	$ 18,803	$ 17,977
Represented by:		
Base	$ 18,538	$ 17,747
Market Driven Training	265	230
	$ 18,803	$ 17,977

12. Pension Costs and Obligations

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experience gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2002, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

13. Related Party Transactions

During the year the College provided a grant of $7,850 (2006 - $7,850) to Assiniboine Community College Foundation Inc. (in actual $), a grant of $8,500 (2006 - $5,000) to Assiniboine Campus Radio Society Inc. (in actual $), and a grant of $17,600 (2006 - $16,020) to the student association (in actual $). Transactions with the Assiniboine Community College Foundation Inc., Assiniboine Campus Radio Society Inc., and the Student Association are measured at the exchange amount.

14. Commitments

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2007/08	$ 143
2008/09	96

15. Economic Dependence

The College presently receives annual funding of approximately $19,732,821 ($18,645,759 in 2006) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured. Transactions with the Province of Manitoba are measured at the exchange amount.

16. Income Taxes

The College is exempt from income taxes.

17. Consolidation

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of these entities on the financial statements of the College, had these entities been consolidated, would be as follows (in actual dollars):

	Increase (Decrease)
Cash	$ 75,933
Accounts receivable	25,869
Investments	1,178,357
Equipment	6,954
Accounts payable	6,098
Deferred revenue	31,898
Deferred contributions	500,245
Unrestricted net assets	(10,297)
Endowment funds	752,216
Invested in capital assets	6,954
Revenue	373,661
Expenditures	372,251

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

MANAGEMENT REPORT

December 31, 2007

The accompanying financial statements are the responsibility of the Board and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board's opinion, the financial statements have been properly prepared.

As the Board is responsible for the integrity of the financial statements, the Board has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss and that revenues are complete.

Susan Boulter
Chairperson

Ted Norrington, C.A.
Accountant

April 10, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under The Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under The Embalmers and Funeral Directors Act as at December 31, 2007, and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
April 10, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Financial Position
December 31, 2007

ASSETS	2007	2006
Current Assets		
Cash	$ 19,877	$ 25,246
Short-term Investments (note 2)	-	13,320
Accrued Interest Receivable	-	263
Total Current Assets	19,877	38,829
Non-Current Assets		
Accrued Interest Receivable	2,853	4,311
Long-term Investments (notes 2 and 3)	53,186	50,000
Total Non-Current Assets	56,039	54,311
	$ 75,916	$ 93,140
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 6,300	$ 3,582
Deferred Revenue	19,800	22,900
Total Current Liabilities	26,100	26,482
Unrestricted Net Assets	49,816	66,658
	$ 75,916	$ 93,140

See accompanying notes to the financial statements

Approved on Behalf of The Board of Administration

Susan Boulter
Chairperson

Tracy Wevursky
Secretary-Treasurer

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Operations and Changes in Unrestricted Net Assets
for the year ended December 31, 2007

REVENUE	2007	2006
Funeral Home Licences	$ 9,200	$ 9,000
Embalmer and Funeral Director Licences	21,700	24,000
Interest	2,034	2,293
	32,934	35,293
EXPENSES		
Audit	3,400	3,120
Honoraria - Board Members	7,303	6,649
Honoraria - Registrar	10,000	8,000
Miscellaneous	1,916	388
Board Meetings	5,151	3,911
Surveys	3,297	-
Graduation	-	900
Communications	2,567	1,513
Office Supplies and Postage	1,524	655
Conferences	5,843	2,447
Legal Fees	8,775	692
	49,776	28,275
Net Income(Loss) and Comprehensive Income	(16,842)	7,018
Unrestricted Net Assets Beginning of the Year	66,658	59,640
Unrestricted Net Assets End of the Year	$ 49,816	$ 66,658

See accompanying notes to the financial statements

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Cash Flows
For the year ended December 31, 2007

	2007	2006
Cash Flows from Operating Activities		
Licence Fees	$ 27,800	$ 28,700
Interest on Investments	3,492	216
Graduation	-	(900)
Surveys	(2,725)	-
Audit	(3,120)	(2,600)
Honoraria - Registrar	(10,000)	(8,000)
Honoraria - Board Members	(7,521)	(6,758)
Miscellaneous	(1,916)	(388)
Board Meetings	(5,194)	(3,911)
Communications	(1,371)	(1,492)
Conferences	(5,844)	(2,447)
Office Supplies and Postage	(1,160)	(629)
Legal Fees	(8,206)	(692)
Net Cash (used in) provided by Operating Activities	(15,765)	1,099
Cash Flows from Investing Activities		
Purchases of Guaranteed Investment Certificates	(38,186)	(13,320)
Maturities of Guaranteed Investment Certificates	48,582	13,104
Net Cash provided by (used in) Investing Activities	10,396	(216)
Net (Decrease) Increase in Cash	(5,369)	883
Cash, beginning of the year	25,246	24,363
Cash, end of year	$ 19,877	$ 25,246

See accompanying notes to the financial statements

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
For the year ended December 31, 2007

1) **Nature of Operations**

The Embalmers and Funeral Directors Act established The Board of Administration (The Board) to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articling students

2) **Significant Accounting Policies:**

a **General**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP)

b **New Accounting Policies**

Effective April 1 2007 the Board adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA)

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Board's financial statements for the year ended December 31, 2007.

Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-board sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Board has not recognized any adjustments through other comprehensive income for the year ended December 31, 2007. Because the Board has no items related to other comprehensive income, comprehensive income for the year is equivalent to net income(loss).

Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

Notes to Financial Statements
For the year ended December 31, 2007

The Board has designated its financial instruments as follows:

Cash and investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at carrying values that approximate their fair values. The carrying values of short-term investments approximates their fair values due to the relatively short period to maturity. The carrying values of long-term investments approximates their fair values based on recent investment transactions.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Board's financial statements for the year ended December 31, 2007.

d **Financial Instruments**

The Board's financial instruments consist of cash, interest receivable, investments, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from those financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

e **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

f **Future Accounting Policy Changes**

Financial Instruments - Disclosures and Presentation

The CICA has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

Capital Disclosures

The CICA has also issued a new standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
For the year ended December 31, 2007

f. **Revenue Recognition**

The board recognizes revenue for Funeral Home Licences and Embalmer and Funeral Director Licenses on an accrual basis.

g. **Contributed Services**

During the year, the Province of Manitoba provided the services of administrative and accounting staff to the Board at no cost. Because of the difficulty in estimating the fair value of such services, no contributed services are recognized in these financial statements.

3) **Investments**

Investments are invested in Guaranteed Investment Certificates (GICs) with various maturities and interest rates as follows:

	2007	2006
i) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2010 Interest Rate 3.10%	$15,232	$15,000
ii) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2009 Interest Rate 3.50%	15,000	15,000
iii) CIBC Non-Cashable Escalating Rate GIC Maturity Date: January 5, 2010 Interest Rate 3.00 %	21,954	20,000
	$53,186	$50,000

4) **The Public Sector Compensation Disclosure Act**

In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid during the year ended December 31, 2007:

(i) No individual received compensation of $50,000 or more;
(ii) The Board has no employees;
(iii) The aggregate amount paid to Board members was:

	2007	2006
(a) Honoraria, Board Members	$7,303	$6,649
(b) Honoraria, Registrar	$10,000	$8,000

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The Provincial Auditor of the Province of Manitoba, whose opinion is included herein, examines the statements.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

Original signed by Scott Stewart

Scott Stewart
Treasurer, Board of Governors

Original signed by Scott Lamont

Scott J. B. Lamont, CGA, MBA
Vice-President (Administration & Finance)

May 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba and
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2008, and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
May 16, 2008

Carol Bellringer, FCA•MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Brandon University

Statement of Financial Position
as at March 31, 2008

ASSETS

	2008	2007
Current Assets		
Cash and cash equivalents (note 3)	$ 5,594,254	$ 6,765,842
Accounts receivable	3,547,530	1,685,569
Inventory	439,053	409,040
Prepaid expenses	256,320	253,958
	9,837,157	9,114,409
Capital Assets and Collections (notes 2E and 6)	40,671,928	40,945,646
	$ 50,509,085	$ 50,060,055

LIABILITIES & NET ASSETS

	2008	2007
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,856,323	$ 2,666,663
Deferred income	289,183	248,437
Deferred contributions (note 7)	3,226,643	2,865,905
Current portion of long term debt (note 9)	111,002	104,282
	6,483,151	5,885,287
Long term Liability		
Unfunded employee future benefits (note 13)	950,000	888,000
Mortgages payable (note 9)	1,315,122	1,426,123
	2,265,122	2,314,123
Unamortized Deferred Capital Contributions (note 7)	30,983,780	32,156,051
Net Assets		
Unrestricted net assets	1,891,465	1,914,538
Internally restricted net assets (note 5)	623,541	530,864
Investment in capital assets and collections	8,262,026	7,259,192
	10,777,032	9,704,594
	$ 50,509,085	$ 50,060,055

Approved by the Brandon University
Board of Governors on June 26, 2008

Original Signed by: Scott Stewart
Treasurer

Original Signed by: Scott Lamont
Vice-President (Administration & Finance)

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2008

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2008	Total 2007
Balance, beginning of year	$ 1,914,538	$ 530,864	$ 7,259,192	$ 9,704,594	$ 8,808,320
Reclassify account balances					(2,753)
Restated balance, beginning of year	1,914,538	530,864	7,259,192	9,704,594	8,805,567
Excess of revenues over expenses	1,065,942			1,065,942	857,887
Direct increases to net assets					
Donations of capital assets			6,496	6,496	41,140
Transfers					
Internally funded					
Capital asset additions	(1,817,078)		1,817,078		
Capital asset disposals (net)	5,864		(5,864)		
Amortization	919,158		(919,158)		
Repayment of long term debt	(104,282)		104,282		
Allocation to internally restricted net assets	(236,189)	236,189			
Internally restricted net asset purchases	143,512	(143,512)			
Balance, end of year	$ 1,891,465	$ 623,541	$ 8,262,026	$ 10,777,032	$ 9,704,594

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2008

	2008	2007
Revenues		
Tuition fees and other student fees	$ 9,670,205	$ 9,679,692
Grants		
Council on Post-Secondary Education	30,373,696	27,714,213
Province of Manitoba	519,296	540,403
Government of Canada	2,200,760	1,768,023
Sales of goods and services	6,328,444	6,440,886
Brandon University Foundation	1,895,921	2,071,568
Amortization of deferred capital contributions	2,250,301	2,281,090
Gain on disposal of capital assets		76,985
Miscellaneous	1,698,542	1,148,058
	54,937,165	51,720,918
Expenses		
Salaries - academic	18,135,906	17,510,541
Salaries - support	12,109,102	11,463,699
Benefits	4,516,366	4,375,852
Travel	1,597,369	1,662,348
Supplies and consumable expenses	8,104,433	7,223,334
Major renovations	1,925,693	1,261,855
Property taxes	139,546	117,747
Utilities	1,092,180	1,207,085
Cost of goods sold	1,893,074	1,915,022
Scholarships and bursaries	1,073,185	1,005,420
Interest on long term debt	112,306	118,598
Amortization expense	3,169,458	3,001,530
Loss on disposal of capital assets	2,605	
	53,871,223	50,863,031
Excess of revenues over expenses	$ 1,065,942	$ 857,887

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Cash Flow
for the Year Ended March 31, 2008

	2008	2007
Cash Provided By (Used In) Operating Activities		
Excess of revenues over expenses	$ 1,065,942	$ 857,887
Items not affecting cash flow		
Amortization of deferred capital contributions	(2,250,301)	(2,281,090)
Amortization of capital assets	3,169,458	3,001,530
Loss/(gain) on disposal of capital assets	2,633	(76,985)
Increase in non-cash operating working capital	(1,241,218)	2,387,934
	746,514	3,889,276
Cash Provided By (Used In) Investing Activities		
Decrease in loan receivable		43,560
Capital asset additions	(2,901,603)	(2,493,383)
Proceeds on disposal of capital assets	3,257	89,385
	(2,898,346)	(2,360,438)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(104,282)	(97,990)
Capital contributions received	1,084,526	760,578
	980,244	662,588
Increase (Decrease) in cash and cash equivalents	(1,171,588)	2,191,426
Cash and cash equivalents, beginning of year	6,765,842	4,574,416
Cash and cash equivalents, end of year	$ 5,594,254	$ 6,765,842

The accompanying notes are an integral part of these financial statements.

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered and collection is reasonably assured.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Short Term Investments

Short term investments are recorded at fair value and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments also includes a mutual fund that provides a benefit provision for a former WESTARC employee as a part of that individual's contract of employment.

D. Brandon University Foundation

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The accounts of the Brandon University Foundation do not form part of the financial statements of the University. The financial statements of the Foundation are audited on an annual basis.

E. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any

accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furniture & equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

F. Inventory

Inventories are valued at the lower of cost and net realizable value.

G. Pension Plans

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. Contributions by the University are recorded as expenses.

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

H. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts and determination of useful lives of capital assets for amortization. Actual results could differ from these estimates.

I. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments
The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These new standards, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Capital Disclosures
The CICA has issued a new accounting standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objective policies, and processes for managing capital. This new standard, which will be effective April 1, 2008, will only require additional disclosure in the financial statements.

Inventories
The Canadian Accounting Standards Board has approved a new standard with respect to inventories which requires that inventories be measured at lower of cost or net realizable value; disallows the use of last-in first-out inventory costing methodology; and requires that when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. This new standard, which will be adopted effective April 1, 2008, is not expected to have a material impact on the University.

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	2008	2007
Cash	$ 2,737,338	$ 2,882,968
Short term investments	2,856,916	3,835,876
Mutual funds		46,998
	$ 5,594,254	$ 6,765,842

The fair market value of the short term investments and mutual funds is $2,856,916 (2007 -$3,906,658).

4. Brandon University Foundation

The Brandon University Foundation operates under the authority of the Brandon University Foundation Act. The Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising funds for future operation and capital expenditures, research and student awards.

Brandon University Foundation is not a controlled entity of Brandon University however, in the event of the dissolution of the Foundation, after the payment of all debts and liabilities, any remaining rights, property and assets of the Foundation shall be transferred or assigned to Brandon University as long as it is at that time a charitable, non-profit corporation.

The Foundation follows the deferral method of accounting for contributions. The investments of the Foundation are recorded at fair market value. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

	2007	2006
Assets	$ 35,328,651	$ 35,342,145
Liabilities	$ 1,215,938	$ 1,523,664
Deferred contributions	6,697,881	7,386,303
Net Assets		
Unrestricted and internally restricted net assets	229,700	385,328
Endowment funds	27,185,132	26,046,850
	27,414,832	26,432,178
Total Liabilities and Net Assets	$ 35,328,651	$ 35,342,145

Statement of Operations

	2007	2006
Revenue		
Investment income	$ 167,325	$ 1,100,089
Donations	1,290,106	596,138
Other contributions	145,940	206,647
	1,603,371	1,902,874
Expense		
Grants to Brandon University	903,272	1,119,422
Scholarships and bursaries	802,572	758,982
Campaign expenses	36,854	448,736
Other expenses	51,244	64,081
	1,793,942	2,391,221
Net loss for the year	$ (190,571)	$ (488,347)

The net result of the transactions from January 1, 2008 to March 31, 2008 was a loss of $269,901 (2007 - $643,509 gain) and an unrealized investment loss of $774,738 (2007 - $746,457).

The value of outstanding pledges to the Foundation as at March 31, 2008 is $544,109 (2007 - $651,405). These will be recorded as revenue in the Foundation when received.

5. **Internally Restricted Net Assets**

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2008 Closing Balance
Ancillary Services	$ 432,257	$ 60,965	$	$ 493,222
Facility & Wellness Fee	23,862		(23,862)	
Mail Print services	(36,439)	10,000		(26,439)
Telephone replacement	97,275	150,224	(105,030)	142,469
Vehicle replacement	13,909	15,000	(14,620)	14,289
	$ 530,864	$ 236,189	$ (143,512)	$ 623,541

6. Capital Assets and Collections

	Cost	Accumulated Amortization	2008 Net Book Value	Cost	Accumulated Amortization	2007 Net Book Value
Land	$ 498,680	$	$ 498,680	$ 498,680	$	$ 498,680
Buildings	64,275,916	(34,908,244)	29,367,672	63,882,710	(33,380,218)	30,502,492
Furniture & equipment	19,002,509	(11,951,335)	7,051,174	17,995,634	(11,546,304)	6,449,330
Library collections	8,616,921	(6,055,231)	2,561,690	7,935,188	(5,626,260)	2,308,928
Collections	1,192,712		1,192,712	1,186,216		1,186,216
	$ 93,586,738	$(52,914,810)	$ 40,671,928	$ 91,498,428	$(50,552,782)	$ 40,945,646

Capital asset additions during the year included donations in kind in the amount of $6,496 (2007- $41,140).

7. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions and unamortized deferred capital contributions balances are as follows:

	2008 Deferred Contributions	2008 Unamortized Deferred Capital Contributions	2007 Deferred Contributions	2007 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 2,865,905	$ 32,156,051	$ 2,355,353	$ 33,717,703
Contributions received	9,222,102		7,754,056	
Transfers to revenue				
Tuition, grants and contributions	(7,783,334)		(6,524,066)	
Amortization of assets acquired from capital assets		(2,250,301)		(2,281,090)
Transferred to acquire capital assets	(1,078,030)	1,078,030	(719,438)	719,438
Balance, end of year	$ 3,226,643	$ 30,983,780	$ 2,865,905	$ 32,156,051
Balance consists of:				
Research	$ 2,652,952		$ 2,374,679	
Special programs	573,691		491,226	
	$ 3,226,643		$ 2,865,905	

8. Pension Plans

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held by CIBC Mellon Global Securities Services Company in the name of ten trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. Connor, Clark & Lunn Investment Management Ltd. invests the Plan assets according to an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba. Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

Actuarial valuations of the Brandon University Retirement Plan are carried out every three years and provide an estimate of the accrued pension benefits. The actuarial present value of accrued pension benefits was determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. Based on the latest actuarial valuation of the plan conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2006 the accrued pension benefits were $91,657,000. This valuation established a Plan surplus of $4,378,000 using the accrued benefit method as at that date. As at December 31, 2007 the projected surplus was $6,723,000. The next actuarial valuation is required as at December 31, 2009 and will be completed in 2010.

The actuarial present value of pension benefits as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	(in thousands of dollars) 2007	2006
Actuarial present value of accrued pension benefits, beginning of year	$ 91,657	$ 83,453
Interest accrued on benefits	5,248	5,000
Benefits accrued	3,562	3,445
Benefits paid	(4,342)	(3,680)
Actuarial loss		(391)
Change in assumption		3,830
Actuarial present value of accrued pension benefits, end of year	$ 96,125	$ 91,657

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation at December 31, 2006 were:

Rate of return on investments	5.75%
Rate of salary increases	4.00%

The actuarial value of net assets available for pension benefits has been determined at amounts that reflect long-term market trends (consistent with the assumptions underlying the valuation of accrued pension benefits). The valuation is based on a four-year moving average market method with the market value being the underlying basis. The method has been slightly modified this year. Last year, the market value was adjusted by amortizing

the fund's gains or losses over a four year period. This year, the market value has been adjusted by amortizing over a four year period the differences in each year between the fund's actual return and a 5.75% return, whereas last year 6% was used.

The actuarial values of net assets as at December 31 were:

	(in thousands of dollars) 2007	2006
Market value of net assets available for pension benefits	$ 103,941	$ 103,318
Market value changes not reflected in the actuarial value of net assets	(1,093)	(7,283)
Actuarial value of net assets available for pension benefits	$ 102,848	$ 96,035

Pension contributions by the University for the year ended March 31, 2008 were $1,666,615 (2007 - $1,606,957).

9. Long Term Liability - Mortgages Payable

	2008	2007
Canada Mortgage and Housing Corporation 5.18% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 330,682	$ 394,487
Canada Mortgage and Housing Corporation 8.14% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,095,442	1,135,918
	1,426,124	1,530,405
Current portion of long term debt	111,002	104,282
	$ 1,315,122	$ 1,426,123
Interest paid	$ 112,306	$ 118,598

Principal payments in the next five years are as follows:

2009	$ 111,002
2010	$ 118,181
2011	$ 125,852
2012	$ 134,050
2013	$ 101,217

10. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada

and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

11. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

12. Commitments

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $32,752 for the year ended March 31, 2008 (2007 - $47,048).

13. Employee Future Benefits

The University provides severance and retiring allowance benefits based on length of service and final earnings, payable on retirement. Accounting standards require the recognition of a liability and an expense for such employee future benefits in the period in which the employee renders service in return for the benefits. The recognition date for rendered service begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these future benefits earned by employees is determined by an actuary using the projected benefit method pro rated on service and management's best estimates for the discount rate for liabilities, the rate of salary escalation and the retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. There are no assets supporting the plan benefits.

The transitional obligation arising from the adoption of the accounting standard was fully recognized as at the adoption date of April 1, 2000. Subsequent actuarial gains or losses are fully recognized in the year immediately following the year in which they arise. The most recent actuarial valuation was as at March 31, 2005 with the next valuation due at at March 31, 2009.

The accrued benefit liability for employee future benefits is reported in the University's Statement of Financial Position under accounts payable and accrued liabilities.

Information about the University's employee future benefits is as follows:

	2008	2007
Accrued benefit liability	$ 893,000	$ 881,000
Accrued benefit obligation	950,000	888,000
Unamortized actuarial loss	$ (57,000)	$ (7,000)
Net benefit cost	$ 105,000	$ 118,000
Employer's contributions	93,000	25,000
Benefits paid	(58,000)	(25,000)

The significant actuarial assumptions adopted in measuring the University's accrued benefit liability and benfit costs are as follows:

	2008	2007
Discount rate	5.5%	4.9%
Rate of compensation increase		
IUOE(A)	3.0%	3.0%
IUOE(D)	5.0%	5.0%
MGEU	5.0%	5.0%
Exempt MPO	7.5%	7.5%
Exempt ESS	5.0%	5.0%

14. Financial Instruments

Financial Risks
The financial instruments of the University consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value
The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature. The fair value of mortgages payable is not practical to determine due to their underlying terms and conditions.

15. Change in Accounting Policy

Effective April 1, 2007, Brandon University adopted the recommendations of CICA 3855: Financial Instruments - Recognition and Measurement.

This section establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. Initially, all financial assets and liabilities must be recorded on the Statement of Financial Position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon the adoption of this new standard, the University has classified its cash and equivalents as held-for-trading which is measured at fair market value, receivables as loans and receivables which are measured at amortized cost and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost.

As a result of application of Section 3855, the University's financial statements as at March 31, 2007 were not significantly affected.

16. Restatement of Accounts

Comparative figures for the year ended March 31, 2007 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 2008.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the statement of financial position of CancerCare Manitoba as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 23, 2008

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	General Fund	Building Fund	Clinical and Basic Research Fund	2008 Total	2007 Total
Assets					
Current assets:					
Cash	$ 6,867,398	$ –	$ 6,455	$ 6,873,853	$ 11,688,641
Short-term investments	3,514,020	–	705,340	4,219,360	2,502,498
Due from Manitoba Health (note 5)	3,166,482	–	–	3,166,482	6,090,741
Accounts receivable (note 6)	1,656,859	–	5,703,969	7,360,828	6,041,818
Inter-fund accounts	(1,039,213)	2,219,365	(1,180,152)	–	–
Prepaid expenses	480,940	–	–	480,940	455,971
Vacation entitlements receivable	1,883,043	–	–	1,883,043	1,817,453
	16,529,529	2,219,365	5,235,612	23,984,506	28,597,122
Retirement entitlement obligation receivable (note 7)	1,419,400	–	–	1,419,400	1,646,660
Investments	2,308,234	–	1,883,642	4,189,876	5,130,339
Capital assets (note 8)	9,401,607	54,299,831	1,303,309	65,004,747	66,948,760
	$ 29,656,770	$ 56,519,196	$ 8,422,563	$ 94,598,529	$ 102,320,881
Liabilities, Deferred Contributions and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	$ 10,770,866	$ –	$ 14,821	$ 10,785,687	$ 20,834,612
Due to Manitoba Health (note 5)	1,998,136	–	–	1,998,136	107,638
Deferred contributions [note 9(a)]:					
Expenses of future periods	1,849,144	–	–	1,849,144	1,887,505
	14,618,146	–	14,821	14,632,967	22,829,755
Deferred contributions - capital assets [note 9(b)]	8,986,032	56,519,196	–	65,505,228	66,404,456
Retirement entitlement obligations (note 15)	2,742,612	–	–	2,742,612	2,360,856
	26,346,790	56,519,196	14,821	82,880,807	91,595,067
Fund balances:					
Invested in capital assets (note 10)	415,575	–	1,303,309	1,718,884	2,114,704
Externally restricted (note 11)	–	–	5,202,545	5,202,545	4,626,456
Internally restricted	–	–	1,901,888	1,901,888	2,173,300
Unrestricted	2,894,405	–	–	2,894,405	1,811,354
	3,309,980	–	8,407,742	11,717,722	10,725,814
Contingencies (note 13)					
	$ 29,656,770	$ 56,519,196	$ 8,422,563	$ 94,598,529	$ 102,320,881

See accompanying notes to financial statements.

Approved by the Members:

Member

Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	General Fund	Building Fund	Clinical and Basic Research Fund	2008 Total	2007 Total
Revenue:					
Manitoba Health (note 14)	$ 83,996,263	$ –	$ –	$ 83,996,263	$ 81,100,939
Other recoveries	835,935	–	–	835,935	850,928
Grants	–	–	11,508,965	11,508,965	11,988,515
Amortization of deferred contributions (note 9)	3,232,638	2,461,625	–	5,694,263	4,912,292
	88,064,836	2,461,625	11,508,965	102,035,426	98,852,674
Expenses:					
Compensation	34,089,110	–	5,961,928	40,051,038	36,217,693
Medical remuneration	10,474,817	–	–	10,474,817	13,044,485
Building occupancy	1,022,895	–	–	1,022,895	781,512
Amortization of capital assets	3,232,638	2,461,625	536,178	6,230,441	5,892,945
General administration	2,887,828	–	–	2,887,828	3,288,414
Equipment rentals and maintenance	1,766,876	–	–	1,766,876	1,231,802
Supplies and other departmental expenses	4,056,730	–	5,118,784	9,175,514	8,031,770
Drugs	27,728,326	–	–	27,728,326	27,373,421
Interest	–	–	–	–	14,636
Referred-out services	2,463,616	–	106,705	2,570,321	2,244,535
	87,722,836	2,461,625	11,723,595	101,908,056	98,121,213
Excess (deficiency) of revenue over expenses before the undernoted	342,000	–	(214,630)	127,370	731,461
Investment income	716,031	–	144,216	860,247	569,260
Excess (deficiency) of revenue over expenses	1,058,031	–	(70,414)	987,617	1,300,721
Fund balances, beginning of year	2,273,104	–	8,452,710	10,725,814	9,425,093
Change in accounting policy (note 3)	(21,155)	–	25,446	4,291	–
Fund balances, end of year	$ 3,309,980	$ –	$ 8,407,742	$ 11,717,722	$ 10,725,814

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	General Fund	Building Fund	Clinical and Basic Research Fund	2008 Total	2007 Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	$ 1,058,031	$ –	$ (70,414)	$ 987,617	$ 1,300,721
Amortization of capital assets	3,232,638	2,461,625	536,178	6,230,441	5,892,945
Amortization of deferred contributions related to capital assets	(3,232,638)	(2,461,625)	–	(5,694,263)	(4,912,292)
Unrealized gain on investments	(50,963)	–	(26,318)	(77,281)	–
Loss on disposal of investments	–	–	–	–	2,505
Decrease in retirement entitlement obligation receivable	227,260	–	–	227,260	–
Change in non-cash operating working capital	(6,092,387)	(89,972)	(461,378)	(6,643,737)	8,128,694
Increase in retirement entitlement obligations	381,756	–	–	381,756	268,680
	(4,476,303)	(89,972)	(21,932)	(4,588,207)	10,681,253
Investing activities:					
Inter-fund transfers	233,400	(556,993)	323,593	–	–
Additions to capital assets	(2,380,903)	(1,720,992)	(186,533)	(4,288,428)	(5,669,289)
Purchase of investments	(3,085,894)	–	(109,471)	(3,195,365)	(452,102)
Proceeds on disposal of investments	2,500,539	–	–	2,500,539	125,000
Change in investment classification	1,011,521	–	705,340	1,716,861	2,502,498
Amortization of premiums on investments	–	–	–	–	3,326
	(1,721,337)	(2,277,985)	732,929	(3,266,393)	(3,490,567)
Financing activities:					
Deferred contributions related to capital assets	1,349,336	2,367,957	–	3,717,293	2,942,308
Deferred contributions related to expenses of future periods	1,039,381	–	–	1,039,381	1,015,935
	2,388,717	2,367,957	–	4,756,674	3,958,243
Increase (decrease) in cash and short-term investments	(3,808,923)	–	710,997	(3,097,926)	11,148,929
Cash and short-term investments, beginning of year	14,190,341	–	798	14,191,139	3,042,210
Cash and short-term investments, end of year	$ 10,381,418	$ –	$ 711,795	$ 11,093,213	$ 14,191,139
Cash and short-term investments are comprised of:					
Cash	$ 6,867,398	$ –	$ 6,455	$ 6,873,853	$ 11,688,641
Short-term investments	3,514,020	–	705,340	4,219,360	2,502,498
Cash and short-term investments, end of year	$ 10,381,418	$ –	$ 711,795	$ 11,093,213	$ 14,191,139

See accompanying notes to financial statements.

1. Purpose of the organization:

CancerCare Manitoba (the organization) is an agency established under the *CancerCare Manitoba Act*. The organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting:

The organization follows the deferral method of accounting for contributions.

The General Fund accounts for the organization's revenues and expenses related to program delivery and administrative activities.

The Building Fund reports the assets, liabilities, revenues and expenses related to the organization's building expansion and renovation program.

The Clinical and Basic Research Fund reports grants received for specific clinical and basic research projects undertaken by the organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the organization has designated for specific purposes.

(b) Revenue recognition:

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned. Investment income includes interest income, change in unrealized gains or (losses) on investments and realized gains on investments.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(c) Investments:

Effective April 1, 2007, short-term and long-term investments (investments) are classified as held-for-trading (note 3) and are carried at fair value. Fair value of investments is determined based on period end quoted market prices. Unrealized gains or (losses) on investments, representing the change in the difference between the fair value and the cost of investments at the beginning and end of each year, are reflected in investment income in the statement of operations and changes in fund balances. For periods prior to April 1, 2007, all investments were carried at cost, with investment premiums and discounts amortized on a straight-line basis over the life of the investment, and investment income was recorded on an accrual basis.

(d) Capital assets:

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(e) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Future employee benefits:

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

(g) Deferred contributions:

Debt owing to the Province of Manitoba and external lenders is reflected as deferred contributions in the statement of financial position. The related revenue earned from Manitoba Health to offset the interest expense and the related interest expense are both excluded from the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policies:

Financial Instruments - Recognition and Measurement

The organization adopted the new standard, Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in investment income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

Upon adoption of this new standard, the organization designated cash, short-term investments and investments as held-for-trading; due from Manitoba Health, accounts receivable, vacation entitlements receivable, and retirement entitlement obligation receivable as loans and receivables; and accounts payable and accrued liabilities and due to Manitoba Health as other liabilities. The organization has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transactions costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transactions costs are recorded in the statement of operations and changes in fund balances as incurred.

3. Change in accounting policies (continued):

This standard was adopted retroactively without restatement. The implementation of the standard on April 1, 2007 resulted in an increase to investments and fund balances of $4,291 for net unrealized gains.

The impact of this standard on the year ended March 31, 2008 resulted in an increase in investments and investment income of $77,281 for net unrealized gains.

Accounting Changes

In July 2006, the Accounting Standards Board (AcSB) issued a replacement of Handbook Section 1506, *Accounting Changes* (Section 1506). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective April 1, 2007, has no impact on these financial statements.

4. Recent accounting pronouncements issued and not yet applied:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the organization's fiscal year ending March 31, 2009. The organization is in the process of determining the impact that these standards will have on its financial reporting.

(a) Capital Disclosures:

Section 1535 - *Capital Disclosures* establishes standards for the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

(b) Financial Instruments - Disclosures and Presentation:

Sections 3862 - *Financial Instruments - Disclosures* and 3863 - *Financial Instruments - Presentation* replace the existing Section 3861 - *Financial Instruments - Disclosure and Presentation*. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

5. Manitoba Health funding:

(a) In-globe funding:

In-globe funding is funding approved by Manitoba Health for organization operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding:

Out-of-globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, Provincial Oncology Drug Program approved drug costs, and capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the organization or repaid to Manitoba Health.

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the organization. Any unapproved costs not paid by Manitoba Health are absorbed by the organization.

5. Manitoba Health funding (continued):

At March 31, 2008, the organization had a balance of $1,998,136 (2007 - $107,638) payable to Manitoba Health, representing repayment of 2008 out-of-globe medical remuneration and a balance of $3,166,482 (2007 - $6,090,741) receivable from Manitoba Health as follows:

	2008	2007
Out-of-globe 2007/2008	$ 908,326	$ –
Out-of-globe 2006/2007	–	4,751,454
Out-of-globe 2005/2006	–	110,321
Approved capital funding	1,778,936	937,568
Other	479,220	291,398
	$ 3,166,482	$ 6,090,741

6. Accounts receivable:

	General Fund	Clinical and Basic Research Fund	2008 Total	2007 Total
CancerCare Manitoba Foundation Inc.	$ –	$ 5,019,338	$ 5,019,338	$ 4,414,348
Grace General Hospital	–	14,093	14,093	21,566
Winnipeg Regional Health Authority	–	136,614	136,614	235,979
Government of Canada	–	57,563	57,563	77,987
University of Manitoba	–	102,190	102,190	122,526
University Medical Group	1,537,232	–	1,537,232	660,768
Other	119,627	374,171	493,798	508,644
	$ 1,656,859	$ 5,703,969	$ 7,360,828	$ 6,041,818

7. Retirement entitlement obligation receivable:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement (note 15). At March 31, 2008, based on an actuarial estimate, the retirement entitlement obligations are estimated to be approximately $2,742,612 (2007 - $2,360,856) for which the organization has recorded retirement entitlement obligations on the statement of financial position.

7. Retirement entitlement obligation receivable (continued):

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates $1,419,400 (2007 - $1,646,660) and has no specific terms of repayment. The organization expensed $227,260 in 2008 for amounts deemed by management to be uncollectible from Manitoba Health.

The fair value of the retirement entitlement obligation receivable from Manitoba Health approximates its carrying value as the interest component is comparable to current market rates.

8. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
General Fund:				
Equipment	$ 25,314,766	$ 15,913,159	$ 9,401,607	$ 10,253,342
Building Fund:				
Building	60,759,549	10,438,666	50,320,883	48,873,784
Equipment	9,876,538	5,897,590	3,978,948	4,558,336
Construction in progress	–	–	–	1,608,344
	70,636,087	16,336,256	54,299,831	55,040,464
Clinical and Basic Research Fund:				
Equipment	3,098,666	1,795,357	1,303,309	1,652,954
	$ 99,049,519	$ 34,044,772	$ 65,004,747	$ 66,946,760

Interest capitalized during construction was $39,334 (2007 - nil).

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

	2008	2007
Balance, beginning of year	$ 1,887,505	$ 1,993,631
Add amount received related to future periods	1,039,381	1,015,935
Less amounts transferred to deferred contributions - capital assets	(1,077,742)	(1,122,061)
	$ 1,849,144	$ 1,887,505

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 66,404,456	$ 67,252,379
Additional contributions received	3,717,293	2,942,308
Add amounts transferred from deferred contributions - expenses of future periods	1,077,742	1,122,061
Less amounts amortized to revenue	(5,694,263)	(4,912,292)
	$ 65,505,228	$ 66,404,456

The balance of unamortized capital contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital asset contributions used to purchase capital assets	$ 66,079,933	$ 66,199,217
Unspent contributions	425,295	205,239
	$ 65,505,228	$ 66,404,456

9. Deferred contributions (continued):

Unamortized capital contributions of $65,505,228 (2007 - $66,404,456) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

	2008	2007
Bearing interest at prime less 0.50 percent, repayable in monthly instalments of $28,765, plus interest	$ 3,156,746	$ 961,373

Unamortized capital contributions of $65,505,219 (2007 - $66,404,456) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is guaranteed and funded by Manitoba Health. No further funding is expected to be received with respect to these obligations and no revenue or expense is recorded in connection with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2008	2007
6.25% maturing March 31, 2020, repayable in monthly instalments of $76,754, plus interest	$ 11,129,386	$ 12,050,438
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly instalments of $50,439, plus interest	8,473,684	9,078,947
4.80% maturing November 30, 2016, repayable in monthly instalments of $50,000, plus interest	5,200,000	5,800,000
	$ 24,803,070	$ 26,929,385

During 2005, the organization established arrangements for a bridge facility of non-revolving demand loans to a maximum of $5,000,000 to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at the prime rate, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The organization has utilized $3,156,746 of this facility as of March 31, 2008 (2007 - $961,373).

9. Deferred contributions (continued):

On November 30, 2006, the Province of Manitoba approved the consolidation of $6,000,000 of the organization's borrowings with the Department of Finance. The advance has been recorded as a deferred contribution as described above.

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 65,004,747	$ 66,946,760
Amounts financed by:		
Unamortized deferred contributions	(65,505,228)	(66,404,456)
Inter-fund and working capital	2,219,365	1,572,400
	$ 1,718,884	$ 2,114,704

(b) Change in invested in capital assets fund balance is calculated as follows:

	2008	2007
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	$ 5,694,263	$ 4,912,292
Amortization of capital assets	(6,230,441)	(5,892,945)
	$ (536,178)	$ (980,653)
Invested in capital assets:		
Purchase of capital assets	$ 4,288,428	$ 5,669,289
Amounts funded by:		
Deferred contributions	(3,717,293)	(2,942,308)
Inter-fund and working capital	646,965	(606,110)
Amount transferred from deferred contributions - expenses of future periods	(1,077,742)	(1,122,061)
	$ 140,358	$ 998,810

11. Externally restricted fund balances:

The major category of externally imposed restrictions on fund balances is as follows:

	2008	2007
Restricted for research projects, education purposes and other specific purposes	$ 5,202,545	$ 4,626,456

12. Fair value of financial instruments:

The fair value of cash, due from Manitoba Health, accounts receivable, vacation entitlements receivable, accounts payable and accrued liabilities and due to Manitoba Health approximates their carrying value because of the relatively short period to maturity of the instruments.

13. Contingencies - HIROC:

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

14. Economic dependence:

The organization received approximately 82 percent (2007 - 86 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

15. Employee future benefits:

(a) Retirement entitlement obligations:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached age 55; or

(ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee; or

(iii) retire at or after age 65; or

(iv) terminate employment at any time due to permanent disability.

The organization undertook an actuarial valuation of the accrued retirement entitlements as at March 31, 2008. The significant actuarial assumptions adopted in measuring the organization's accrued retirement entitlements include mortality, disability and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent) and a rate of salary increase of 3.5 percent plus age-related merit promotion scale (2007 - rate of salary increase of 3.0 percent plus age related merit promotion scale). The actuarial valuation established the retirement entitlement obligations in the amount of $2,742,612 (2007 - $2,360,856).

(b) Pension plans:

Most of the employees of the organization are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook, Section 3461.

15. Employee future benefits (continued):

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent actuarial valuation of the Plan as at December 31, 2006, reported that the Plan is fully funded.

Actual contributions to the Plan made during the year by the organization on behalf of its employees amounted to $2,150,506 (2007 - $1,766,663) and are included in the statement of operations and changes in fund balances. Contribution rates increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE.

Some of the employees of the organization are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for organization employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the Civil Service Superannuation Plan by the organization and its employees. No contributions were made during 2008 or 2007 by the organization to the Civil Service Superannuation Plan on behalf of its employees.

16. CancerCare Manitoba Foundation Inc.:

The organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2008, net resources of CCMF Inc. amounted to $34,188,631, of which $14,394,763 are restricted contributions. CCMF Inc.'s purpose is to support the organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $5,470,144 (2007 - $5,761,391) to the organization.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Le Centre culturel franco-manitobain

We have audited the statement of financial position of Le Centre culturel franco-manitobain as at March 31, 2008, and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 30, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and bank	$ 12,425	$ 17,896
Grants receivable	109,498	92,763
Accounts receivable	71,840	44,559
Accounts receivable - Province of Manitoba (Note 12)	25,891	25,891
Inventory	3,729	3,999
Prepaid expenses	36,224	22,685
	259,607	207,793
Non-Current Assets		
Accounts receivable	-	3,613
Capital assets (Note 5)	34,117	43,298
Deferred charges	4,442	6,280
	38,559	53,191
	$ 298,166	$ 260,984
Liabilities and Fund Balances		
Current Liabilities		
Bank indebtedness (Note 6)	$ 84,820	$ 103,470
Accounts payable and accrued liabilities	86,970	53,870
Deferred contributions (Note 7)	18,399	6,059
Rental and damage deposits	29,475	20,500
	219,664	183,899
Deferred contributions related to capital assets (Note 8)	29,552	37,463
	249,216	221,362
Commitments (Note 9)		
Fund Balances		
Unrestricted Funds		
Operations	89,003	50,709
Cultural Programs	(44,618)	(16,922)
Invested in capital assets	4,565	5,835
	48,950	39,622
	$ 298,166	$ 260,984

Approved on behalf of the Board:

_____ Director

_____ Director

The notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31

	Operations	Cultural Programs	Capital	Fund Raising	2008 Total	2007 Total
Revenue						
Administration fees	$ 349	$ -	$ -	$ -	$ 349	$ 241
Admission fees	-	36,734	-	-	36,734	20,712
Bar	34,081	-	-	-	34,081	38,619
Bingos	-	-	-	3,000	3,000	-
Commissions	389	339	-	-	728	8,722
Corporate sponsorship and donations	265	19,292	-	-	19,557	6,657
Grants						
Government of Canada	-	176,615	-	-	176,615	172,734
Government of Manitoba	399,200	20,500	132,897	-	552,597	504,254
Miscellaneous	1,500	25,729	-	-	27,229	41,724
Interest	5,573	-	-	-	5,573	5,182
Miscellaneous (Note 14)	74,231	9,069	-	-	83,300	88,845
Rent (Note 13)	232,808	-	-	-	232,808	254,538
Sale of office supplies and other	10,015	-	-	-	10,015	9,632
Technical services	59,944	-	-	-	59,944	54,842
	818,355	288,278	132,897	3,000	1,242,530	1,206,702
Expenses						
Amortization of capital assets	-	-	9,181	-	9,181	11,570
Catering and bar	44,064	-	-	-	44,064	47,154
Fundraising - Bingos	-	-	-	-	-	10
Operations (Note 10)	735,997	318,974	-	-	1,054,971	1,045,338
Repairs (Note 11)	-	-	124,986	-	124,986	62,104
	780,061	318,974	134,167	-	1,233,202	1,166,176
Excess (deficiency) of revenue over expenses for the year	38,294	(30,696)	(1,270)	3,000	9,328	40,526
Fund balances, beginning of year	50,709	(16,922)	5,835	-	39,622	(904)
Interfund transfer	-	3,000	-	(3,000)	-	-
Fund balances, end of year	$ 89,003	$ (44,618)	$ 4,565	$ -	$ 48,950	$ 39,622

The notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows Provided by (Used for) Operating Activities		
Excess of revenue over expenses for the year	$ 9,328	$ 40,526
Amortization of capital assets	9,181	11,570
Amortization of deferred charges	1,838	1,838
Amortization of deferred contributions related to capital assets	(7,911)	(10,112)
Net change in non-cash working capital items		
Grants receivable	(16,735)	36,575
Accounts receivable	(23,668)	(3,043)
Inventory	270	(246)
Prepaid expenses	(13,539)	(9,490)
Accounts payable and accrued liabilities	33,100	(47,202)
Deferred contributions	12,340	(2,169)
Rental and damage deposits	8,975	(6,475)
	13,179	11,772
Cash Flows Provided by (Used for) Financing and Investing Activities		
Repayment of working capital advance to the Province of Manitoba	-	(100,000)
Increase (decrease) in cash and bank for the year	13,179	(88,228)
Cash and bank (bank indebtedness), beginning of year	(85,574)	2,654
Cash and bank (bank indebtedness), end of year	$ (72,395)	$ (85,574)
Represented by		
Cash and bank	$ 12,425	$ 17,896
Bank indebtedness	(84,820)	(103,470)
	$ (72,395)	$ (85,574)

The notes are an integral part of these financial statements.

1. General Information

Le Centre culturel franco-manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The corporation's objects are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Financial Instruments

The corporation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial statements.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The corporation has designated its financial instruments as follows:

Cash and bank are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in the statement of operations. These financial assets are recorded at carrying values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

2. Accounting Policies (continued)

Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

Use of Building

The use of the building is accounted for as described in Note 13.

Recognition of Revenue

The corporation follows the deferred method of accounting for contributions.

Grants received for specific projects are recognized as revenue in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred contributions in the statement of financial position.

Catering and bar services, hall, office and other rentals, technical services and miscellaneous revenue are recognized as revenue when the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Admission fees are recognized as revenue when the event has occurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Accounting Policies (continued)

Fund Balances

The financial resources of the corporation are allocated to four funds corresponding to the corporation's activities and objectives as follows:

Unrestricted Funds

Operations - Includes transactions related to the maintenance of facilities and the general operations of the corporation.

Cultural Programs - Includes transactions related to the delivery of cultural programs as outlined in the objectives of the corporation.

Restricted Funds

Capital - Involves external restrictions and is used for recording capital asset additions, major repairs related to the building's operations, amortization of deferred contributions related to capital assets and amortization of capital assets. At year end, an interfund transfer is recorded from the Operations Fund to the Capital Fund representing the corporation's net investment in capital assets.

Fundraising - Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

Inventory

Inventory is valued at the lower of cost, using the first-in-first-out method, and net realizable value.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. New Accounting Policies

Effective April 1, 2007, the corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian generally accepted accounting principles (GAAP) that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the corporation's financial statements for the year ended March 31, 2008.

Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in excess of revenue over expenses and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The adoption of this revised standard had no material impact on the corporation's financial statements for the year ended March 31, 2008.

4. Future Accounting Policy Changes

The CICA has issued two new standards, *CICA 3862: Financial Instruments – Disclosures* and *CICA 3863: Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. This change in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

4. Future Accounting Policy Changes (continued)

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This change in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

The CICA has issued standard, *CICA 3031: Inventories*, which requires that inventories be measured at lower of cost and net realizable value; disallows the use of last-in first-out inventory costing method; and requires that when circumstances that previously caused the inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. This new standard, which will be adopted effective April 1, 2008, is not expected to have a material impact on the corporation.

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technical equipment	$ 136,932	$ 122,348	$ 136,932	$ 118,702
Computer equipment	124,008	121,081	124,008	119,826
Kitchen equipment	14,107	9,989	14,107	8,960
Cash registers	5,200	4,950	5,200	4,887
Furniture and fixtures	11,673	9,099	11,673	8,327
Security system	17,580	15,221	17,580	14,631
Maintenance equipment	26,411	19,106	26,411	17,280
	$ 335,911	$ 301,794	$ 335,911	$ 292,613
Net book value		$ 34,117		$ 43,298

6. Bank Indebtedness

The corporation has a line of credit with a maximum of $100,000 bearing interest at prime rate. The line of credit is secured by a general security agreement. At March 31, 2008, the line of credit had a balance of $Nil before deduction of outstanding cheques.

7. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenses of subsequent periods.

	2008	2007
Balance, beginning of year	**$ 6,059**	$ 8,228
Grants and other amounts received during the year		
Operations Fund	**12,500**	3,135
Capital Fund	**124,987**	56,800
Less amounts recognized as revenue during the year		
Operations Fund	**(160)**	-
Capital Fund (Note 11)	**(124,987)**	(62,104)
Balance, end of year	**$ 18,399**	$ 6,059

8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets amount to $29,552 at March 31, 2008 ($37,643 in 2007) and represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows:

	2008	2007
Balance, beginning of year	**$ 37,463**	$ 47,575
Grants received during the year	**-**	-
Amount amortized to revenue	**(7,911)**	(10,112)
Balance, end of year	**$ 29,552**	$ 37,463

9. Commitments

The corporation has a joint line of credit with another organization with a maximum of $400,000 bearing interest at prime rate plus 0.5%. The line of credit will provide temporary financing to reimburse costs related to preliminary stages of Cercle Molière theater construction. The line of credit is secured by a general security agreement. At March 31, 2008, the line of credit was unutilized.

10. Operations Fund and Cultural Programs Fund Expenses

	Operations	Cultural Programs	2008 Total	2007 Total
Advertising and promotion	$ 6,014	$ 21,424	$ 27,438	$ 18,461
Bad debts	2,094	-	2,094	35
Bank charges and interest	3,405	-	3,405	6,981
Employment contracts	8,075	19,187	27,262	101,550
Equipment purchase	7,795	-	7,795	15,176
Equipment rental and maintenance	58,721	17,645	76,366	56,952
Insurance and permits	21,379	1,272	22,651	21,545
Meetings and travel	7,663	17,097	24,760	28,868
Miscellaneous	-	5,145	5,145	3,189
Office	14,728	4,732	19,460	33,356
Pension	8,885	3,715	12,600	6,103
Professional fees	26,992	-	26,992	24,713
Salaries and benefits (Note 14)	413,534	170,984	584,518	541,379
Service contracts	-	57,269	57,269	44,530
Supplies	18,149	504	18,653	23,865
Training	1,539	-	1,539	1,740
Utilities and outside maintenance (Note 14)	137,024	-	137,024	116,895
	$ 735,997	$ 318,974	$ 1,054,971	$ 1,045,338

11. Capital Fund Expenses

	2008	2007
Asbestos removal and renovation of main building	$ 73,583	$ -
Material	9,735	19,670
Repairs and maintenance	41,668	42,434
	$ 124,986	$ 62,104

12. Vacation Pay Receivable

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as at March 31, 1995. Subsequent to March 31, 1995, the Province of Manitoba has included in its ongoing annual funding to the corporation an amount equal to the current year's expense for vacation pay entitlements.

13. Use of Building

The building used by the corporation is owned by the Province of Manitoba and is made available to the corporation rent-free. The corporation is responsible for all operating and maintenance costs including third party liability insurance.

The corporation charges rent to all tenants, groups and organization that make use of the building. This rental revenue is retained by the corporation and recorded as revenue in the Operations Fund, thereby reducing the corporation's reliance on funding from the Province.

14. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the corporation is that of the Province of Manitoba. The corporation is operated by La Société historique de Saint-Boniface (SHSB).

Le Centre culturel franco-manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenses (Note 10). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $49,416 in 2008 ($51,334 in 2007).

15. Comparative Amounts

Certain comparative amounts have been restated to conform to the current year's presentation.

BDO Dunwoody LLP
Chartered Accountants
and Advisors

480 Saskatchewan Ave W
Portage la Prairie Manitoba Canada R1N 0M4
Telephone: (204) 857-2856
Telefax: (204) 239-1664
www.bdo.ca

Auditors' Report

To the Directors of
Child and Family Services of Central Manitoba Inc.

We have audited the non-consolidated statement of financial position of **Child and Family Services of Central Manitoba Inc.** as at March 31, 2008, and the non-consolidated statements of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and the changes in cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 1, 2008

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Financial Position

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2008	2007
Assets							
Current Assets							
Cash	$ 168,617	$ -	$ -	$ -	$ -	$ 168,617	$ 126,706
Investments	99,270	-	-	-	-	99,270	94,300
Accounts receivable	64,848	1,047	-	-	-	65,895	25,142
Receivable from General Child and Family Services Authority	65,759	-	-	-	-	65,759	34,800
Receivable from Department of Family Services and Housing	142,846	171,558	-	-	-	314,404	418,173
Prepaid expenses	21,064	-	-	-	-	21,064	20,975
	562,404	172,605	-	-	-	735,009	720,096
Capital Assets (note 1)	-	-	-	-	568,470	568,470	577,806
Deferred Severance/Retirement Entitlement (note 2)	104,030	-	-	-	-	104,030	119,458
	$ 666,434	$ 172,605	$ -	$ -	$ 568,470	$ 1,407,509	$1,417,360
Liabilities and Fund Balances							
Current Liabilities							
Bank indebtedness (note 3)	$ 165,290	$ -	$ -	$ -	$ -	$ 165,290	$ 189,298
Accounts payable and accrued liabilities	148,887	15,550	-	-	-	164,437	188,272
Accrued vacation pay entitlement	142,849	-	-	-	-	142,849	159,405
Working capital advance	-	103,400	-	-	-	103,400	103,400
Interfund balances	(17,735)	10,874	-	6,861	-	-	-
	439,291	129,824	-	6,861	-	575,976	640,375
Accrued Severance/Retirement Entititlement Payable (note 2)	382,769	-	-	-	-	382,769	313,123
Deferred Contributions (note 4)	-	-	-	-	344,493	344,493	359,285
	822,060	129,824	-	6,861	344,493	1,303,238	1,312,783
Fund Balances							
Invested in net capital assets	-	-	-	-	223,977	223,977	218,521
Externally restricted	-	42,781	-	(6,861)	-	35,920	857,087
Unrestricted	(155,626)	-	-	-	-	(155,626)	(971,031)
	(155,626)	42,781	-	(6,861)	223,977	104,271	104,577
Commitments (note 5)							
	$ 666,434	$ 172,605	$ -	$ -	$ 568,470	$ 1,407,509	$1,417,360

On behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Operations and Changes in Fund Balances

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2008	2007
Revenue							
Province of Manitoba	$ -	$ 1,571,795	$ -	$ -	$ -	$ 1,571,795	$1,227,337
General Child and Family Services Authority	2,409,100	-	63,400	77,000	-	2,549,500	2,262,600
Amortization of deferred contributions (note 4)	-	-	-	-	14,792	14,792	77,103
Other	68,683	2,065	-	-	2,000	72,748	60,673
	2,477,783	1,573,860	63,400	77,000	16,792	4,208,835	3,627,713
Expenses							
Salaries and benefits	2,171,099	-	71,367	37,947	-	2,280,413	1,988,676
Dakota Ojibway Child and Family Services and Metis Child and Family Services	13,179	-	-	-	-	13,179	118,493
Travel and other field service costs	89,301	63,276	6,301	-	-	158,878	146,346
Office maintenance	61,507	-	-	-	-	61,507	63,497
Office operations	112,973	-	-	-	-	112,973	113,079
Service support	51,011	-	-	-	-	51,011	106,241
Other support	73,279	-	-	-	-	73,279	66,249
Ward care expenses	-	1,467,803	-	46,272	-	1,514,075	1,157,984
Amortization of capital assets	-	-	-	-	22,764	22,764	23,024
Recovery of expenditures from Dakota Ojibway Child and Family Services and Metis Child and Family Services	(12,821)	-	-	(358)	-	(13,179)	(123,459)
	2,559,528	1,531,079	77,668	83,861	22,764	4,274,900	3,660,130
Excess (deficiency) of revenue over expenses before deficit funding	(81,745)	42,781	(14,268)	(6,861)	(5,972)	(66,065)	(32,417)
Deficit funding	65,759	-	-	-	-	65,759	34,800
Excess (deficiency) of revenue over expenses	(15,986)	42,781	(14,268)	(6,861)	(5,972)	(306)	2,383
Fund balance, beginning of year	(971,031)	728,155	-	128,932	218,521	104,577	102,194
Interfund transfers (note 7)	831,391	(728,155)	14,268	(128,932)	11,428		-
Fund balance, end of year	$ (155,626)	$ 42,781	$ -	$ (6,861)	$ 223,977	$ 104,271	$ 104,577

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Cash Flows

For the year ended March 31,	2008	2007
Cash provided by (used in) Operating Activities		
Excess (deficiency) of revenue over expenses	$ (306)	$ 2,383
Adjustments for		
Amortization of capital assets	22,764	23,024
Amortization of deferred contributions	(14,792)	(77,103)
Amortization of deferred severance/retirement entitlement	15,428	15,428
Gain on disposal of capital assets	(2,000)	
	21,094	(36,268)
Changes in non-cash operating working capital		
Accounts receivable	(40,753)	(14,598)
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	-	4,500
Receivable from General Child and Family Services Authority	(30,959)	(56,493)
Receivable from Department of Family Services and Housing	103,769	(96,242)
Prepaid expenses	(89)	3,576
Accounts payable and accrued liabilities	(23,835)	61,884
Accrued vacation pay entitlement	(16,556)	21,693
	12,671	(111,948)
Cash provided by (used in) Investing and Financing Activities		
Additions to capital assets	(13,428)	(21,086)
Disposal (addition) of investments	(4,970)	300
Restricted contributions received	-	61,900
Proceeds on disposal of capital assets	2,000	-
Accrued severance/retirement benefit	69,646	28,870
Change in bank indebtedness	(24,008)	168,670
	29,240	238,654
Increase in cash during the year	41,911	126,706
Cash, beginning of year	126,706	-
Cash, end of year	$ 168,617	$ 126,706
Additional information		
Interest received	$ 16,477	$ 12,675

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2008

Nature of Business

The Agency is incorporated under the laws of Manitoba and its' primary business purpose is providing child and family services to those in need in the Central Region of Manitoba. The Agency is a registered charitable Agency under the Income Tax Act.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The most significant estimates included in these non-consolidated financial statements are the deferred severence/retirement entitlement, its amortization and the accrued severence/retirement entitlement payable as calculated actuarily. Actual results could differ from the estimates used.

Fund Accounting

The Agency follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Central Program Support Fund.

Revenues and expenses directly related to children in care are reported in the Ward Care Fund.

Revenues and expenses directly related to children not in care are reported in the Family Support Fund.

Revenues and expenses related directly to the In Home Support Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Agency's capital assets.

Revenue Recognition

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2008

Financial Instruments

The Agency utilizes various financial instruments. Unless otherwise noted, it is management's opinion the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash, accounts receivable and accounts payable approximate their carrying value because of the short-term maturity of these instruments.

The Agency classifies its financial instruments into one of the following categories based on the purpose for which the item was acquired. The accounting policy for each category is as follows.

Loans and receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-for-trading - This category is comprised of cash and short-term investments. They are carried in the balance sheet at the fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Other financial liabilities - Other financial liabilities include accounts payable, accrued severence/benefits obligation, other accrued liabilities, and bank indebtedness. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Investments

Investments are recorded at fair value and are comprised of guaranteed investment certificates $99,270 (2007 - $47,000) with an effective interest rate of 4.35% (2007 - 3.95%), with a maturity date of June 2008 (2007 - June 2007), and bonds $ nil (2007 - $47,300) with an effective interest rate of nil (2007 - 4.00%). Interest is received annually and upon maturity.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2008

Capital Assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows.

Buildings	2%
Leasehold improvements	10%
Furniture and equipment	20%

Amortization expense is reported in the Capital Fund.

Contributed Services

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Vacation Entitlement

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

Defined Contribution Pension Plan

The Agency's pension plan is administered by the United Way.

During the year, the Agency made contributions of $85,740 (2007 - $74,448) with respect to this plan.

Subsequent to year end, the pension plan was transferred to the Municipal Employee's Benefit Program (MEBP).

Severance/Retirement Entitlement

Severance/retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance/retirement is recorded to the extent that a severance/retirement liability exists at the period end. At the date of the last actuarial valuation, March 31, 2008, the economic assumptions used to determine benefit obligations and periodic expenses were a discount rate of 5.5% and future salary increases of 3%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance/retirement entitlement has been recorded as a deferred severance/retirement entitlement and is being amortized to expense on the straight-line basis over 10 years, being the average number of years until the original employee group became entitled to an amount.

Plan amendments are recorded as a deferred severance/retirement entitlement when a new Union contract is signed that improves the benefit. Any amendment is amortized over the average number of years until the employee group would become entitled to a benefit and included in severance/retirement expense in the Central Program Support Fund.

During the year $24,403 (2007 - $23,518) was paid out to retiring employees. The net change in the severance/retirement entitlement is included in salary and staff benefit expense in the Central Program Support Fund.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Agency is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Agency is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

For the year ended March 31, 2008

1. Capital Assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	$ 8,172	$ -	$ 8,172	$ 8,172
Buildings	919,701	369,473	550,228	554,966
Furniture and equipment	13,155	10,170	2,985	5,559
Leasehold improvements	20,243	13,158	7,085	9,109
	$ 961,271	$ 392,801	$ 568,470	$ 577,806

2. Severance/Retirement Entitlement

Changes in the deferred severance/retirement entitlement and accrued severance/retirement entitlement payable are as follows.

	2008 Deferred Severance/ Retirement Entitlement	2008 Accrued Severance/ Retirement Entitlement Payable	2007 Deferred Severance/ Retirement Entitlement	2007 Accrued Severance/ Retirement Entitlement Payable
Balance, March 31, 2007	$ 119,458	$ (313,123)	$ 13,895	$ (163,262)
Plan amendment due to new Union contract	-	-	120,991	(120,991)
Paid during the year	-	24,403	-	20,538
Current cost	-	(94,049)	-	(49,408)
Amortization	(15,428)	-	(15,428)	-
Balance, March 31, 2008	$ 104,030	$ (382,769)	$ 119,458	$ (313,123)

3. Bank Indebtedness

The Agency has an operating line of credit authorized to a maximum of $425,000, which is due on demand and bears interest at the bank's prime rate minus 0.50% calculated and payable monthly. It is secured by a line of credit agreement.

For the year ended March 31, 2008

4. Deferred Contributions

(a) Deferred contributions reported in the Family Support Innovation Fund relate to restricted contributions, which have not yet been disbursed for their intended purpose.

Changes in the deferred contributions balance reported in the Family Support Innovation Fund are as follows.

	2008	2007
Balance, beginning of year	$ -	$ 141
Add restricted contributions received in the year	-	61,900
Less amount recognized as revenue in the year	-	62,041
Balance, end of year	$ -	$ -

(b) Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment and building.

Changes in the deferred contributions balance reported in the Capital Fund are as follows.

	2008	2007
Balance, beginning of year	$ 359,285	$ 374,347
Less amount recognized as revenue in the year	14,792	15,062
Balance, end of year	$ 344,493	$ 359,285
Total deferred contributions	$ 344,493	$ 359,285

5. Commitments

The Agency leases office premises and certain equipment under operating leases, which expire between 2010 and 2013. The following is a schedule of approximate future minimum lease payments due in each of the next five years under these leases.

2009	$ 72,000
2010	51,300
2011	23,300
2012	4,200
2013	3,300
	$ 154,100

Subsequent to year end, the Board of Directors committed to upgrade the roof for the Portage office for an approximate cost of $60,000.

For the year ended March 31, 2008

6. Related Party Transactions

During the year, the following transactions took place with related parties.

The Agency received program funding of $32,755 (2007 - $35,169) from Child and Family Services of Central Manitoba Foundation Inc.

The Agency is involved with the Tupper Street Family Resource Centre, an unincorporated entity created for the assistance of young parents in the Central Manitoba region, through participation in the start up and policy-making processes. As at March 31, 2008, the Agency had an amount of $31,590 included in Accounts Receivable from the Department of Family Services and Housing for assistance with the start-up phase of this Centre.

The transactions above are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Interfund Transfers

During the year, $14,268 was transferred from the Central Program Support Fund to the Family Support Innovations Fund to fund expenditures, and $11,428 was transferred to the Capital Fund to fund the purchase of capital assets during the year.

Also, the General Authority for Child and Family Services has approved a transfer from the surpluses in the Ward Care Fund in the amount of $728,155, and from the Family Support Fund in the amount of $128,932, to the Central Program Support Fund for a total of $857,087, to reduce the deficit existing in that fund.

8. Change in Accounting Policy

On April 1, 2007 the Agency prospectively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are initially measured at fair market value.

The impact of adoption of these new standards has not required an adjustment to the carrying values of the financial instruments as at April 1, 2007.

For the year ended March 31, 2008

9. Controlled Organization Not Consolidated

Child and Family Services of Central Manitoba Inc. controls Child and Family Services of Central Manitoba Foundation Inc. Child and Family Services of Central Manitoba Foundation Inc. is operated for the purpose of receiving donations to enhance the lives of children and families in the Central Region of Manitoba and to promote well-being and happiness. The Foundation is incorporated under the laws of the Province of Manitoba and is a registered Public Foundation under the Income Tax Act. Child and Family Services of Central Manitoba Inc.'s Board of Directors serves as the Board of Directors for Child and Family Services of Central Manitoba Foundation Inc. as per the bylaws of Child and Family Services of Central Manitoba Foundation Inc.

Child and Family Services of Central Manitoba Foundation Inc. has not been consolidated in the Child and Family Services of Central Manitoba Inc.'s financial statements. Financial summaries of the unconsolidated entity as at March 31, 2008 and 2007 and for the years then ended are as follows.

Child and Family Services of Central Manitoba Foundation Inc.

Financial position

	2008	2007
Total assets	$ 521,119	$ 500,257
Total liabilities	42,223	27,957
Total net assets	478,896	472,300
	$ 521,119	$ 500,257

Results of operations

	2008	2007
Total revenues	$ 80,158	$ 70,219
Total expenses	73,562	56,574
Excess of revenue over expenses	$ 6,596	$ 13,645

Cash flows

	2008	2007
Cash provided by (used in) operations	$ (1,980)	$ 1,731
Cash provided by (used in) investing activities	1,601	(4,523)
Increase (decrease) in cash	$ (379)	$ (2,792)

For the year ended March 31, 2008

10. Change in Estimate

Effective April 1, 2007, the Agency reviewed its calculation of its severence/retirement obligation through the use of an actuary. The actuary's calculations included a wage increase estimate and a change in the discount rate to 5.5% (2007 - 6.25%). This change in accounting estimate was applied prospectively and is based on the net present value of the amounts owing to staff upon their estimated retirement and discounted to March 31, 2008.

Auditors' Report

To the Board of Directors of
Child & Family Services of Western Manitoba

We have audited the statement of financial position of **Child & Family Services of Western Manitoba** as at **March 31, 2008** and the statement of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **March 31, 2008** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Brandon, Manitoba
April 25, 2008

Child and Family Services of Western Manitoba
Statement of Financial Position - Consolidated

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 1,085,240	$ 703,978
Term deposits	518,753	499,597
Accounts receivable	271,310	424,720
Due from Province of Manitoba - vacation and severance pay	453,534	396,215
Prepaid expenses	-	10,864
Discounted certificates	9,478	9,374
	2,338,315	2,044,748
Property, plant and equipment (Note 2)	1,844,820	1,861,124
	$ 4,183,135	$ 3,905,872
Liabilities and Members' Equity		
Current Liabilities		
Deferred revenue (Note 4)	$ 149,110	$ 55,264
Working capital advance	174,700	174,700
Accounts payable	184,948	279,125
Vacation and severance pay accrual	591,024	562,685
Current portion of long-term debt (Note 5)	31,311	29,148
Funds held in trust	13,384	10,914
Employees' Trust Certificates	9,478	9,374
	1,153,955	1,121,210
Long-term debt (Note 5)	570,838	602,669
Special Allowance Trust Fund	151,149	144,011
	1,875,942	1,867,890
Surplus		
Operating Fund	569,951	359,073
Capital Fund	1,242,671	1,229,307
Trust Fund	494,571	449,602
	2,307,193	2,037,982
	$ 4,183,135	$ 3,905,872

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Operating Fund

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 910,409	$ 481,835
Term deposits	12,068	12,445
Accounts receivable	269,992	416,833
Due from Province of Manitoba - vacation and severance pay	453,534	396,215
Prepaid expenses	-	10,864
	1,646,003	1,318,192
Liabilities and Members' Equity		
Current Liabilities		
Deferred revenue	$ 149,110	$ 55,264
Working capital advance	174,700	174,700
Accounts payable	161,218	166,470
Vacation and severance pay accrual	591,024	562,685
	1,076,052	959,119
Surplus (deficit)		
Central Program Support	281,515	78,451
Resource Centre	6	4
Family Support Services & Brandon Avenue Projects	50,721	121,674
Child Maintenance	174,552	129,175
Residential Care	28,404	7,044
Early Learning Canada	5,370	5,371
Adoptive Families Project	(5,791)	(5,791)
Parenting Skills Project	2,714	2,714
Parenting Child Centres	2,411	2,411
Pre-school Enrichment	6	-
Victoria Day Care	4,775	17,309
Child Abuse Project	24,558	1
Healthy Child Manitoba Programming	710	710
	569,951	359,073
	$ 1,646,003	$ 1,318,192

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Capital Fund

March 31	2008	2007
Assets		
Property, plant and equipment (Note 2)	**$ 1,844,820**	$ 1,861,124
Liabilities and Members' Equity		
Current Liabilities		
Current portion of long-term debt (Note 5)	**31,311**	29,148
Long-term debt (Note 5)	**570,838**	602,669
	602,149	631,817
Surplus		
Investment in property, plant and equipment, per schedule	**1,242,671**	1,229,307
	$ 1,844,820	$ 1,861,124

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Trust Fund

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 174,831	$ 222,143
Term deposits	506,685	487,152
Accounts receivable	1,318	7,887
Discounted certificate	9,478	9,374
	$ 692,312	$ 726,556
Liabilities and Members' Equity		
Current Liabilities		
Funds held in trust - clients	$ 13,384	$ 10,914
Discounted certificate	9,478	9,374
Trust accounts payable	23,730	112,655
	46,592	132,943
Special Allowance Trust Fund	151,149	144,011
	197,741	276,954
Surplus		
Surplus - White gift fund	3,086	3,022
Surplus - Staff gift fund	4,953	5,148
Surplus - Sun fund	13,950	11,748
Surplus - Facility account	411,604	370,091
Surplus - Holding account	22,407	21,022
Surplus - Investment Interest	-	-
Surplus - Endowment fund	-	-
Surplus - Special Allowance	-	-
Surplus - Training	38,507	38,507
Surplus - Special Projects	64	64
	494,571	449,602
	$ 692,312	$ 726,556

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2008	2007
Central Program Support		
Surplus (deficit), beginning of year	$ 78,451	$ (294,000)
Surplus for year	203,064	73,579
Deficit recovery	-	298,872
Surplus, end of year	$ 281,515	$ 78,451
Resource Centre		
Surplus (deficit), beginning of year	$ 4	$ (274)
Surplus for year	2	278
Surplus, end of year	$ 6	$ 4
Family Support Service & Brandon Avenue Projects		
Surplus, beginning of year	$ 121,674	$ 80,936
Family Support Services - Surplus (deficit) for year	(77,403)	37,439
Brandon Avenue Project - Surplus for year	6,450	3,299
Surplus, end of year	$ 50,721	$ 121,674
Child Maintenance Operations		
Surplus, beginning of year	$ 129,175	$ 126,497
Surplus for year - Child Maintenance	45,377	2,678
Surplus, end of year	$ 174,552	$ 129,175
Residential Care		
Surplus, beginning of year	$ 7,044	$ 89,653
Surplus (deficit) for year	21,360	(82,609)
Surplus, end of year	$ 28,404	$ 7,044
Early Learning Canada		
Surplus, beginning of year	$ 5,371	-
Surplus (deficit) for year	(1)	5,371
Surplus, end of year	$ 5,370	5,371
Adoptive Families Project		
Deficit, beginning of year	$ (5,791)	$ (5,791)
Surplus for year	-	-
Deficit, end of year	$ (5,791)	$ (5,791)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2008	2007
Parenting Skills Project		
Surplus, beginning of year	$ 2,714	$ 2,714
Surplus, end of year	$ 2,714	$ 2,714
Brandon Early Years Team		
Surplus, beginning of year	$ -	$ -
Surplus, end of year	$ -	$ -
Parent Child Centres		
Surplus, beginning of year	$ 2,411	$ 2,411
Surplus for year	-	-
Surplus, end of year	$ 2,411	$ 2,411
Preschool Enrichment		
Surplus, beginning of year	$ -	$ -
Surplus for year	6	-
Surplus, end of year	$ 6	$ -
Victoria Daycare		
Surplus, beginning of year	$ 17,309	$ 61,708
Deficit for year	(12,534)	(44,399)
Surplus, end of year	$ 4,775	$ 17,309
Child Abuse Project		
Surplus, beginning of year	$ 1	$ -
Surplus for year	24,557	1
Surplus, end of year	$ 24,558	$ 1

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2008	2007
Healthy Child Manitoba Programming		
Surplus, beginning of year	$ 710	$ 710
Surplus, end of year	$ 710	$ 710
Parent Child Home Program		
Surplus, beginning of year	$ -	$ 1
Surplus (deficit) for year	-	(1)
Surplus, end of year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Investment in Capital Assets - Capital Fund

March 31	2008	2007
Investment in Capital Assets, beginning of year	**$ 1,229,307**	$ 1,204,215
Principal payments on mortgage made by Operating Fund	**29,666**	31,147
Capital assets purchased by Operating Fund and Trust Fund	**101,441**	100,772
	1,360,414	1,336,134
Amortization for the year	**117,743**	106,827
Investment in Capital Assets, end of year	**$ 1,242,671**	$ 1,229,307

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of surplus (deficit) - Trust Fund

March 31	2008	2007
White Gift Fund		
Surplus, beginning of year	$ 3,022	$ -
Transfer to Other Trust Accounts	64	3,022
Surplus, end of year	$ 3,086	$ 3,022
Staff Gift Fund		
Surplus, beginning of year	$ 5,148	$ 5,017
Surplus (deficit) for year	(195)	131
Surplus, end of year	$ 4,953	$ 5,148
Sun Fund		
Surplus, beginning of year	$ 11,748	$ 8,900
Surplus for year	2,202	2,848
Surplus, end of year	$ 13,950	$ 11,748
Facility Fund Operations		
Surplus, beginning of year	$ 370,091	$ 300,370
Surplus for year	41,513	69,062
Transfer to Other Trust Programs	-	659
Surplus, end of year	$ 411,604	$ 370,091
Holding Account Operations		
Surplus, beginning of year	$ 21,022	$ 23,449
Surplus (deficit) for year	1,385	(12,007)
Transfer to Other Trust Programs	-	9,580
Surplus, end of year	$ 22,407	$ 21,022
Investment Interest		
Surplus, beginning of year	$ -	$ 30,251
Surplus for year	-	-
Transfer from Other Trust Programs	-	(30,251)
Surplus, end of year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of surplus (deficit) - Trust Fund

March 31	2008	2007
Special Allowance		
Surplus, beginning of year	$ -	3,936
Surplus for year	-	-
Transfer to Other Trust Programs	-	(3,936)
Surplus, end of year	$ -	-
Training		
Surplus, beginning of year	$ 38,507	$ 9,150
Surplus for year	-	8,496
Transfer to Other Trust Accounts	-	20,861
Surplus, end of year	$ 38,507	$ 38,507
Special Projects		
Surplus, beginning of year	$ 64	$ 64
Surplus for year	-	-
Surplus, end of year	$ 64	$ 64

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Operations - Combined - Operating Fund

For the year ended March 31	2008	2007
Revenue		
Grant revenue	**$ 5,679,347**	$ 4,990,413
Fees - Province of Manitoba	**1,251,812**	913,458
Operating revenue	**921,983**	901,959
Fees	**907,027**	822,609
Brandon School Division	**20,076**	17,449
Foundation	**77,778**	92,270
Miscellaneous	**89,584**	144,069
	8,947,607	7,882,227
Expenses, per schedule	**8,598,260**	7,754,654
Surplus (deficit) before transfer to Capital Fund	**349,347**	127,573
Transfer to Capital Fund	**138,477**	131,919
Change in surplus (deficit) for year	**$ 210,870**	$ (4,346)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Schedule of Expenditures - Combined - Operating Fund

For the year ended March 31	2008	2007
Salaries, fees and related expenses	$ 5,222,533	$ 4,726,375
Field service	200,262	114,615
Office operation	350,075	342,740
Professional services	67,455	82,771
Staff development	8,521	27,574
Board expenses	10,763	11,436
Other expenses	250,974	188,429
Other centres	72,537	71,288
Program expenditures	555,350	414,168
Child maintenance expenditures	1,859,790	1,775,258
	$ 8,598,260	$ 7,754,654

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Operations - Combined - Trust Fund

For the year ended March 31	2008	2007
Revenue		
Staff contributions	$ 1,849	$ 1,623
Charitable donations	3,930	3,585
Culture and heritage	5,000	5,000
Grant revenue - federal	2,152	2,035
CFS Foundation grant	39,982	35,010
Interest	19,354	14,753
Rent	82,629	82,629
Community campaign	23,153	10,337
Memberships	465	1,105
Training programs - fees	5,820	26,400
	184,334	182,477
Expenditures		
Gift purchases	2,044	1,492
Camp fees	38,738	34,546
Office	1,415	1,295
Miscellaneous	(45)	76
Salaries	6,735	5,910
Transportation	2,709	1,645
CFS Supplements	41,350	9,634
Property taxes	18,430	17,996
Community campaign expenses	21,072	23,449
Training program - program costs	6,981	17,904
	139,429	113,947
Surplus for year	$ 44,905	$ 68,530

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Due from Province of Manitoba - Vacation Pay

The amount receivable represents future grant revenue from the Province of Manitoba that will be used to fund earned vacation pay by employees that has been recorded as a liability at March 31.

Investments

Investment are recorded as the lower of cost or market value. The market value of all investments held equals their cost at March 31.

Property, Plant and Equipment

Property, plant and equipment purchased by the Operating Fund are recorded as a transfer to the Capital Fund with the amounts being recorded at cost in the Capital Fund. Assets purchased are recorded as an increase in property, plant and equipment and an increase in investment in property, plant and equipment. For assets that have been purchased through a debt obligation, the cost has been recorded as an increase in property, plant and equipment in the Capital Fund with the debt obligation being recorded as a liability in the Capital Fund. As the loan is repaid, the principal component of the loan payments paid by the Operating Fund is recorded as a transfer to the Capital Fund in the Operating Fund and an increase in investment in property, plant and equipment in the Capital Fund.

Amortization is recorded on a straight-line basis as a decrease in investment in property, plant and equipment in accordance with the following rates:

Buildings	2.5%
Equipment	5%
Furniture	5%
Automobiles First 12 months	30%
After	15%

Fund Accounting

Child and Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities.

The Capital Fund records the assets, liabilities, revenues and expenses related to Child and Family Services of Western Manitoba's property, plant and equipment.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money received by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Effective April 1, 2007, the organization adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at their fair value with changes in fair value recorded in other comprehensive income

As a result of the adoption of these new standards, the entity has classified its cash and short-term investments as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost. As a result of application of Section 3855, the Company's surplus was not affected.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

This organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Child and Family Services of Western Manitoba
Summary of Significant Accounting Policies
March 31, 2008

1. Entity Definition

The organization is a registered charity providing family services in Western Manitoba. Any surplus it may generate is non-taxable.

2. Property, Plant and Equipment

	Cost	Accumulated Amortization	2008 Net Value	2007 Net Value
800 MacTavish Avenue				
Building and land	$ 812,774	$ (181,426)	$ 631,348	$ 649,292
Office equipment and furniture	319,122	(249,480)	69,642	79,625
Other Centres				
Building and land	1,064,119	(299,236)	764,883	788,986
Equipment	74,750	(45,637)	29,113	32,850
2227 Brandon Avenue				
Building and land	215,209	(143,260)	71,949	76,669
Equipment	40,096	(30,913)	9,183	11,189
Cypress House				
Building and land	136,402	(67,204)	69,198	71,878
Equipment	35,703	(32,743)	2,960	4,746
7th Street House				
Building and land	76,370	(46,349)	30,021	31,532
Equipment	19,741	(19,741)		
Automobiles	641,625	(475,102)	166,523	114,357
	$ 3,435,911	$ (1,591,091)	$ 1,844,820	$ 1,861,124

3. Bank Indebtedness

The Royal Bank account carries an overdraft limit of $350,000 and carries interest at prime. As at March 31, 2008, the unused credit facility was $350,000. The overdraft limit is secured by a comfort letter from the Province of Manitoba.

4. Deferred Revenue

Deferred contributions consists of contributions received for operating purposes and unexpended funds. The following is a summary of changes to this account:

	2008	2007
Balance, beginning of year	$ 55,264	$ 45,207
Contributions deferred	149,110	55,264
Deferred revenue recognized in year	(55,264)	(45,207)
Balance, end of year	$ 149,110	$ 55,264

5. Long Term Debt

	2008	2007
Royal Trust mortgage, repayable at $5,878 monthly including interest at 7.65%, secured by land and building, matures 2021	$ 602,149	$ 631,817
Current portion	31,311	29,148
	$ 570,838	$ 602,669

Principal payments due in the next five years are as follows:

2009	- $	31,311
2010	-	33,282
2011	-	35,582
2012	-	38,040
2013	-	40,669
Thereafter	-	423,265
	$	602,149

6. Commitments

The organization leases office equipment under operating leases. Minimum lease payments due in the next five years are as follows:

2009	- $	6,498
2010	-	3,249
2011	-	
2012	-	
2013	-	

7. **Economic Dependence**
Child and Family Services of Western Manitoba is economically dependent upon the Provincial Government of Manitoba for funding.

8. **Statement of Cash Flows**
A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements. The organization paid $40,865 (2007 - $42,757) in interest on long-term debt in the year.

9. **Comparative Figures**
Certain number of the comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Rapport des vérificateurs

L'Assemblée législative du Manitoba
Le Bureau des gouverneurs du Collège universitaire de Saint-Boniface

Nous avons vérifié le bilan consolidé du Collège universitaire de Saint-Boniface au 31 mars 2008 et les états consolidés de l'évolution des soldes de fonds, des résultats, et des flux de trésorerie pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction du Collège universitaire de Saint-Boniface. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers consolidés donnent, à tous les égards importants, une image fidèle de la situation financière du Collège universitaire de Saint-Boniface au 31 mars 2008, ainsi que des résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

BDO Dunwoody s.r.l.

Comptables agréés

Winnipeg (Manitoba)
le 7 mai 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

Collège universitaire de Saint-Boniface
Bilan consolidé

Au 31 mars	2008 000 $	2007 000 $
Actif		
Actif à court terme		
Encaisse (note 3)	182	-
Comptes à recevoir et autres actifs	5 029	4 044
	5 211	4 044
Placements (note 4)	19 142	19 958
Immobilisations (note 5)	12 346	12 555
	36 699	36 557
Passif et soldes de fonds		
Passif à court terme		
Découvert bancaire (note 3)	-	44
Comptes à payer et frais courus	3 557	3 663
Revenus reportés	406	523
Contributions reportées (note 6)	1 121	978
	5 084	5 208
Engagements (note 8)		
Soldes de fonds		
Non grevés d'affectations	1 284	1 257
Affectations d'origine interne (note 9)	8 709	8 657
Investis en immobilisations	12 346	12 555
Fonds de dotation	9 276	8 880
	31 615	31 349
	36 699	36 557

Approuvé par le Bureau des gouverneurs du Collège universitaire de Saint-Boniface.

_____ Président

_____ Rectrice

Les notes afférentes font partie intégrante de ces états financiers consolidés.

Collège universitaire de Saint-Boniface
État de l'évolution des soldes de fonds consolidé

Pour l'exercice terminé le 31 mars

	Non grevés d'affectations 000 $	Affectations d'origine interne (note 9) 000 $	Investis en immobilisations 000 $	Fonds de dotation 000 $	2008 000 $	2007 000 $
Solde, au début de l'exercice, tel que présenté précédemment	1 257	8 657	12 555	8 880	31 349	30 663
Changement de méthode comptable (note 11)	(18)	-	-	(14)	(32)	-
Solde, au début de l'exercice, tel que retraité	1 239	8 657	12 555	8 866	31 317	30 663
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	441	-	(553)	410	298	686
Allocation au fonds d'affectation d'origine interne (note 9)						
Revenus - intérêts	(137)	137	-	-	-	-
Projets stratégiques	85	(85)	-	-	-	-
	(52)	52	-	-	-	-
Virements interfonds						
Achats d'immobilisations	(344)	-	344	-	-	-
Changement net de l'exercice	45	52	(209)	410	298	686
Solde, à la fin de l'exercice	1 284	8 709	12 346	9 276	31 615	31 349

Les notes afférentes font partie intégrante de ces états financiers consolidés

Collège universitaire de Saint-Boniface
État des résultats consolidé

Pour l'exercice terminé le 31 mars	2008	2007
	000 $	000 $
Revenus		
Subventions		
Provincial	**11 342**	10 816
Fédéral	**4 805**	4 043
Droits de scolarité	**3 379**	3 318
Autres revenus	**1 791**	1 668
Dons	**646**	589
Produits financiers	**322**	846
	22 285	21 280
Dépenses		
Salaires et avantages sociaux	**15 100**	14 193
Matériel et autres	**4 715**	4 289
Amortissement	**783**	870
Services publics	**615**	398
Déplacements et conférences	**521**	434
Bourses et prix	**253**	410
	21 987	20 594
Excédent des revenus sur les dépenses pour l'exercice	**298**	686

Les notes afférentes font partie intégrante de ces états financiers consolidés.

Collège universitaire de Saint-Boniface
État des flux de trésorerie consolidé

Pour l'exercice terminé le 31 mars	2008	2007
	000 $	000 $
Flux de trésorerie liés aux activités d'exploitation		
Excédent des revenus sur dépenses pour l'exercice	**298**	686
Éléments hors caisse		
Amortissement des immobilisations	**783**	870
	1 081	1 556
Variations d'éléments du fonds de roulement		
Comptes à recevoir et autres actifs	**(985)**	(956)
Comptes à payer et frais courus	**(106)**	155
Revenus reportés	**(117)**	(153)
Contributions reportées	**143**	382
	16	984
Flux de trésorerie liés aux activités de financement	-	-
Flux de trésorerie liés aux activités d'investissement		
Achats d'immobilisations	**(574)**	(853)
Diminution (augmentation) des placements	**784**	(346)
	210	(1 199)
Augmentation (diminution) nette des espèces et quasi-espèces	**226**	(215)
Espèces et quasi espèces, au début de l'exercice	**(44)**	171
Espèces et quasi espèces, à la fin de l'exercice	**182**	(44)

Les notes afférentes font partie intégrante de ces états financiers consolidés.

Collège universitaire de Saint-Boniface
Notes afférentes aux états financiers consolidés

Au 31 mars 2008

1. Autorité et objectifs

Le **Collège universitaire de Saint-Boniface** (CUSB) est constitué en corporation dans la province du Manitoba depuis 1871. Le CUSB est régi par son Bureau des gouverneurs sous l'autorité de la *Loi sur le Collège universitaire de Saint-Boniface*, C.P.L.M. cC150.2.

Le CUSB a pour objectifs de répondre aux besoins éducatifs des collectivités francophones du Manitoba et du Canada et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, il offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

Le CUSB est un organisme de bienfaisance enregistré et bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu*.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées

Méthode de comptabilité

Les présents états financiers consolidés ont été dressés conformément aux principes comptables généralement reconnus du Canada. Le CUSB a adopté la méthode de comptabilité par fonds, et a comptabilisé les apports selon la méthode de comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus. Les dotations, ainsi que les apports destinés à l'acquisition et au développement d'immobilisations, sont comptabilisés à titre d'augmentations directes des actifs nets.

Il existe trois fonds principaux au CUSB : le Fonds de fonctionnement général, le Fonds de dotation et le Fonds des immobilisations.

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et activités suivantes :

- Secteur universitaire;
- École technique et professionnelle;
- Éducation permanente;
- Institut Joseph-Dubuc;
- Centre de recherche qui comprend le Centre d'études franco-canadiennes de l'Ouest et les apports affectés à la recherche;
- Fonds administratif qui comprend des projets spéciaux et certaines opérations administratives, soit les activités relatives à l'informatique et les résidences ainsi qu'à des fins particulières autres que l'acquisition et le développement d'immobilisations;
- Les affectations d'origine interne.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées (suivi)

Méthode de comptabilité (suivi)

Le Fonds de dotation est constitué des apports destinés par exemple aux bourses et prix pour les étudiants et étudiantes. Les produits financiers générés par ces ressources sont comptabilisés dans le Fonds de dotation.

Immobilisations

Les immobilisations acquises par le CUSB sont comptabilisées au coût, alors que celles qui sont reçues en dons sont comptabilisées à leur juste valeur marchande à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile estimative, laquelle est établie comme suit :

Immeubles et améliorations	60 ans
Équipement et ameublement	10 ans
Équipement informatique et logiciels	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéocassettes, audiocassettes, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations ni amortis. Une évaluation du coût des collections n'est pas disponible.

Le CUSB reçoit quelquefois des dons en nature qui sont comptabilisés à leur juste valeur lorsque celle-ci peut faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons reçus en nature au cours de l'exercice terminé le 31 mars 2008 a été d'environ 24 000 $, et la valeur de ceux qui ont été reçus antérieurement n'a pas été jugée significative.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée car elle est jugée négligeable. Le CUSB n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées (suivi)

Instruments financiers

Les justes valeurs en espèces ou quasi-espèces, les comptes à recevoir et les comptes à payer et frais courus se rapprochent de leurs valeurs comptables en raison des échéances à court terme de ces instruments. La juste valeur des placements à court-terme et à long terme est estimée soit d'après le cours du marché pour des émissions similaires, soit d'après le taux actuel prévu pour des dettes similaires garanties par le gouvernement, de même échéance.

Le CUSB n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instruments de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

Le CUSB classe ses instruments financiers dans l'une des catégories suivantes selon ce qui a motivé l'acquisition de l'élément d'actif. La convention comptable du CUSB pour chaque catégorie se présente comme suit :

Prêts et créances – Ces éléments d'actifs sont des actifs financiers non dérivés qui sont créés du fait de la mise à disposition d'argent ou d'autres éléments d'actif par un organisme prêteur à un emprunteur, contre promesse de remboursement à une (des) date(s) précise(s), ou sur demande. Cette catégorie comprends les comptes à recevoir et les intérêts courus. Ils sont initialement comptabilisés à leur juste valeur, puis à coût non amorti, d'après la méthode de détermination de l'intérêt réel, moins toute provision pour moins-value.

Actifs financiers détenus à des fins de transactions – Ces éléments d'actif financiers comprennent certains placements en capitaux propres et en titres de créance. Ils sont reportés au bilan à la juste valeur avec des variations inhérentes à la juste valeur comptabilisées dans l'État des résultats. Les coûts de transactions liés aux instruments classés détenus à des fins de transactions, sont portés aux dépenses à mesure qu'ils sont subis. Les justes valeurs sont déterminées par référence directe aux cotations de prix publiés dans un marché actif.

Autres passifs financiers – Cette catégorie comprend tous les passifs financiers autres que ceux détenus à des fins de transactions, c'est-à-dire par exemple les comptes à payer et frais courus. Ces passifs financiers sont initialement comptabilisés à juste valeur, puis au coût non amorti, d'après la méthode de détermination de l'intérêt réel.

Les intérêts, les dividendes, les gains et pertes réalisés et non realisés sont comptabilisés au poste « Produits financiers » dans l'État des résultats.

Conversion de devises

Les montants relatifs à l'achat et la vente de placements ainsi qu'aux revenus de dividendes et en intérêts dans une monnaie étrangère sont convertis en dollars canadiens au taux de change en vigueur à la clôture du mois. Les pertes ou les gains réalisés ou non réalisés sur des placements dans une monnaie étrangère sont comptabilisés au poste « Produits financiers » dans l'État des résultats.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées (suivi)

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général, à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Tous les autres apports affectés sont comptabilisés à titre de revenus soit du Fonds de dotation, soit du Fonds d'immobilisations, selon le cas.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

Les apports destinés à la dotation sont comptabilisés à titre de revenus du Fonds de dotation. Quant aux produits financiers générés par les ressources du Fonds de dotation, peu importe que celles-ci aient été affectées ou non, ils sont comptabilisés à titre de revenus du Fonds de dotation. Puisque les apports au Fonds de dotation sont destinés à l'attribution de bourses et de prix aux étudiants et aux étudiantes et puisque les produits financiers qu'il génère y sont directement reliés, alors le Fonds de dotation est considéré comme étant totalement constitué d'affectations d'origine externe et ne peut être utilisé à aucune autre fin que pour des bourses aux étudiants et aux étudiantes.

Tous les autres produits financiers qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus du Fonds de fonctionnement général.

Fonds grevés d'affectations d'origine interne

Le Bureau des gouverneurs a établi des provisions pour divers besoins, situations et événements connus et imprévus. Ces provisions résultent de transferts de fonds non affectés du Fonds de fonctionnement général.

Chaque année, le Bureau décide de majorer ces provisions ou d'y effectuer des retraits. Une politique du Bureau régit la procédure relative à l'établissement, la majoration et la suppression de telles provisions et aux retraits qui en sont faits.

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités du CUSB. Les états financiers n'en rendent pas compte, car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur marchande.

Au 31 mars 2008

3. Encaisse

Le CUSB dispose d'une marge de crédit d'un montant autorisé de 1 000 000 $ portant des intérêts au taux préférentiel plus 0,25 %. Cette marge n'était pas utilisée au 31 mars 2008.

4. Placements

	2008	2007
	Valeur marchande	Coût
	000 $	000 $
Encaisse et titres à revenus fixes à court terme	2 290	9 620
Titres à revenus fixes à long terme	11 366	10 184
Actions canadiennes	3 083	83
Actions américaines	1 213	18
Actions étrangères	1 178	41
Autres	12	12
	19 142	19 958

Au 31 mars 2007, la juste valeur marchande des placements était de 19 926 517 $.

5. Immobilisations

			2008	2007
	Coût	Amortissement cumulé	Valeur comptable nette	Valeur comptable nette
	000 $	000 $	000 $	000 $
Immeubles et améliorations	17 487	7 535	9 952	10 042
Équipement et ameublements	4 864	2 914	1 950	1 944
Équipement informatique et logiciels	6 170	5 726	444	569
	28 521	16 175	12 346	12 555

6. Contributions reportées

Les contributions reportées sont constituées des apports qui ont été reçus aux fins de projets et activités particuliers, et des affectations d'origine externe qui n'ont pas encore été dépensées. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2008	2007
	000 $	000 $
Solde, au début de l'exercice	978	596
Apports reçus	970	1 916
Virements aux revenus	(827)	(1 534)
Changement net de l'exercice	143	382
Solde, à fin de l'exercice	1 121	978

7. Obligation relatives aux avantages sociaux et au régime de pension des employés

Les obligations relatives aux avantages sociaux futurs, hormis le régime de pension, se rapportent à l'assurance vie et invalidité et à l'assurance médicale et dentaire des employés. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par le CUSB et ses employés. Le CUSB administre en outre son propre régime d'assurance invalidité de courte durée, dont il assume les frais à titre de congés pour cause de maladie ou d'accident. Les dépenses relatives aux congés sabbatiques et d'étude du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris. Le CUSB comptabilise les congés annuels à venir de tous les membres de son personnel, ainsi que les congés administratifs.

Le régime de pension du CUSB est un régime à cotisations déterminées, et les cotisations patronales qu'il y verse constituent sa seule obligation, car il n'encourt aucune responsabilité quant au rendement des placements effectués dans le cadre du régime.

8. Engagements

Le CUSB est locataire de pièces d'équipement inhérentes à ses activités. Les dates d'expiration des contrats de location visés s'échelonneront sur les cinq prochains exercices financiers. Les loyers ainsi exigibles s'élèvent à moins de 85 000 $ par année.

9. Soldes des fonds d'affectations d'origine interne

	Début de l'exercice	Opérations majorations	Retraits	Fin de l'exercice
	000 $	000 $	000 $	000 $
Bourses et prix	2 172	35	-	2 207
Campagne de levée de fonds/ appariement des dons	1 084	17	-	1 101
Projets stratégiques	1 321	20	(85)	1 256
Projets d'immobilisations importantes	1 677	27	-	1 704
Financement de transition de programmes et de services	2 403	38	-	2 441
	8 657	137	(85)	8 709

Selon la politique en vigueur, les fonds d'affectations d'origine interne portent l'intérêt au taux annuel de l'indice des prix à la consommation de 1.6 % (2.3 % en 2006-2007). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les fonds d'affectations d'origine interne comprennent des soldes de fonds non affectés du fonds de fonctionnement général qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes :

Bourses et prix - les produits financiers générés par le solde de ce fonds sont destinés à augmenter le montant annuellement disponible pour l'attribution des bourses aux étudiants et aux étudiantes qui proviennent des fonds d'affectations d'origine externe du Fonds de dotation et des subventions et dons annuels.

Campagne de levée de fonds/appariement des dons - ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles, dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques - ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de compléter des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues :

a) recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherches entrepris par les professeurs;

9. Soldes des fonds d'affectations d'origine interne (suivi)

b) bibliothèque : les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

c) recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement : les fonds destinés à suppléer, de façon ponctuelle, aux besoins de base dans une situation où les ressources disponibles sont insuffisantes.

Projets d'immobilisations importantes - ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques du CUSB, à la contribution d'une partie des coûts en capital d'un projet ou l'acquisition de futures immobilisations.

Financement de transition de programmes et de services - ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

10. Estimation des montants

Selon les principes comptables généralement reconnus du Canada, la préparation des états financiers exige que la direction établisse des estimations et formule des hypothèses qui affectent la valeur de l'actif et du passif en date des états financiers, et la valeur des revenus et des dépenses de l'exercice en cours. Les résultats réels pourraient différer des meilleures estimations faites par la direction, au fur et à mesure que des informations supplémentaires seront disponibles.

11. Changement de méthode comptable

Le CUSB a adopté les nouvelles normes comptables publiées au Chapitre 3855, intitulé « Instruments financiers - comptabilisation et évaluation » ainsi que les chapitres reliés, du manuel de l'Institut canadien des comptables agréés. Ce changement de méthode comptable a été adopté avec application prospective à partir du 1er avril 2007 et donc les chiffres de l'exercice antérieur n'ont pas été redressés. Les nouvelles normes permettent l'évaluation des instruments financiers à leur juste valeur et cela affecte l'évaluation des placements.

Un ajustement de transition attribuable à ce changement a été comptabilisé dans le solde d'ouverture du fonds non grevés d'affectations (réduction de 17 927 $) et dans le solde d'ouverture du Fonds de dotation (réduction de 13 862 $). Des baisses correspondantes ont été comptabilisées dans les comptes de Placements au bilan.

12. Gestion des risques financiers

Le CUSB, dans le cours normal de ses activités, est exposé à différents risques, notamment le risque du marché et des variations aux taux d'échange. L'objectif du CUSB en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble des activités du CUSB.

Risque de marché - Le risque de marché correspond au risque de variation de la juste valeur d'instruments financiers découlant d'une fluctuation des paramètres affectant cette valeur, notamment les taux d'intérêt, les taux de change et leur volatilité.

Les titres négociables détenus par le CUSB sont soumis aux risques du marché. La valeur de ces instruments financiers fluctuera selon l'évolution des cours du marché ou de facteurs influant sur la valeur des placements qui les sous-tendent, tels que les taux d'intérêt, l'indice des prix à la consommation, l'incertitude économique, les modifications législatives, et la conjoncture politique à l'échelle nationale et internationale.

Risque de change - Les fluctuations de la valeur du dollar canadien par rapport aux devises étrangères se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par le CUSB. Ces fluctuations pourraient réduire, voire effacer, tout rendement obtenu sur des titres étrangers. La position de change pourrait accroître la volatilité des investissements étrangers par rapport aux investissements canadiens.

13. Chiffres comparatifs

Certains chiffres de l'année précédente ont été changés pour les conformer à la présentation de l'année courante.

Collège universitaire de Saint-Boniface
Cédule détaillée du bilan par fonds

Au 31 mars 2008

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2008 000 $	2007 000 $
Actif					
Actif à court terme					
Encaisse (note 3)	182	-	-	182	-
Comptes à recevoir et autres actifs	4 832	-	197	5 029	4 044
	5 014	-	197	5 211	4 044
Placements (note 4)	10 309	-	8 833	19 142	19 958
Immobilisations (note 5)	-	12 346	-	12 346	12 555
Inter-fonds	(246)	-	246	-	-
	15 077	12 346	9 276	36 699	36 557
Passif et soldes de fonds					
Passif à court terme					
Découvert bancaire (note 3)	-	-	-	-	44
Comptes à payer et frais courus	3 557	-	-	3 557	3 663
Revenus reportés	406	-	-	406	523
Contributions reportées (note 6)	1 121	-	-	1 121	978
	5 084	-	-	5 084	5 208
Engagements (note 8)					
Soldes de fonds					
Non grevés d'affectations	1 284	-	-	1 284	1 257
Affectations d'origine interne (note 9)	8 709	-	-	8 709	8 657
Investis en immobilisations	-	12 346	-	12 346	12 555
Fonds de dotation	-	-	9 276	9 276	8 880
	9 993	12 346	9 276	31 615	31 349
	15 077	12 346	9 276	36 699	36 557

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats par fonds

Pour l'exercice terminé le 31 mars

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2008 000 $	2007 000 $
Revenus					
Subventions					
Provincial	11 329	13	-	11 342	10 816
Fédéral	4 588	217	-	4 805	4 043
Droits de scolarité	3 379	-	-	3 379	3 318
Autres revenus	1 785	-	6	1 791	1 668
Dons	-	-	646	646	589
Produits financiers	223	-	99	322	846
	21 304	230	751	22 285	21 280
Dépenses					
Salaires et avantages sociaux	15 100	-	-	15 100	14 193
Matériel et autres	4 553	-	162	4 715	4 289
Amortissement	-	783	-	783	870
Services publics	615	-	-	615	398
Déplacements et conférences	521	-	-	521	434
Bourses et prix	74	-	179	253	410
	20 863	783	341	21 987	20 594
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	441	(553)	410	298	686

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats du fonds de fonctionnement général

Pour l'exercice terminé le 31 mars

	Universitaire 000 $	École technique et professionnelle 000 $	Éducation permanente 000 $	Fonds administratif 000 $	Institut Joseph-Dubuc 000 $	Centre de recherche 000 $	2008 000 $	2007 000 $
Revenus								
Subventions								
Provincial	7 400	2 857	68	1 004	-	-	11 329	10 514
Fédéral	854	419	203	2 425	261	426	4 588	4 043
Droits de scolarité	2 311	473	564	31	-	-	3 379	3 318
Autres revenus	239	55	517	816	86	72	1 785	1 663
Produits financiers	-	-	-	223	-	-	223	500
	10 804	3 804	1 352	4 499	347	498	21 304	20 038
Dépenses								
Salaires et avantages sociaux	8 852	3 224	1 111	1 630	90	193	15 100	14 193
Matériel et autres	1 797	590	209	1 512	242	203	4 553	4 086
Services publics	285	56	11	263	-	-	615	398
Déplacements et conférences	162	76	64	121	28	70	521	433
Bourses et prix	9	7	-	58	-	-	74	204
	11 105	3 953	1 395	3 584	360	466	20 863	19 314
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	(301)	(149)	(43)	915	(13)	32	441	724

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Directors of
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of the **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2008

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	**$ 266,042**	$ 625,411
Trust deposits - Province of Manitoba	**281,197**	7,627
Due from the Province of Manitoba (Note 3)	**1,970,351**	2,104,903
Accounts receivable	**55,611**	106,294
Property held for resale	**4,513**	4,879
Prepaid expenses	**4,707**	13,991
	2,582,421	2,863,105
Loans receivable (Note 4)	**21,261,404**	21,393,330
Capital assets (Note 5)	**105,638**	14,834
	$ 23,949,463	$ 24,271,269
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ **717,741**	$ 1,063,168
Interest payable to the Province of Manitoba	**512,697**	405,198
	1,230,438	1,468,366
Commitments (Note 6)		
Accrued pension liability	**1,895,420**	1,765,596
Advance by the Province of Manitoba (Note 7)	**20,823,605**	21,037,307
	$ 23,949,463	$ 24,271,269

Approved on behalf of the Board:

Director

Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Loan interest		
TEAM	$ 136	$ 3,150
Business program	771,127	866,176
Fisheries program	1,243,137	991,478
Investment income	52,086	60,764
	2,066,486	1,921,568
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	530,052	480,213
Life insurance	77,924	73,421
Trust line of credit	107,596	105,555
Fisheries program	616,693	564,986
Other	13,001	-
	1,345,266	1,224,175
Gross margin	721,220	697,393
Operating expenditures (Page 16)	1,629,197	1,636,676
	(907,977)	(939,283)
Other income - administration fees	100,414	52,926
Deficiency of revenue over expenditures before provision for doubtful loans	(807,563)	(886,357)
Provision for doubtful loans - regular operations	706,893	627,803
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	(1,514,456)	(1,514,160)
Subsidy due from the Province of Manitoba	1,514,456	1,514,160
Excess of revenue over expenditures for the year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Deficiency before subsidy	**$ (1,514,456)**	$ (1,514,160)
Adjustments for		
Amortization of capital assets	**6,019**	6,703
Provision for doubtful loans	**706,893**	627,803
	(801,544)	(879,654)
Accounts receivable	**50,683**	(42,216)
Accrued interest receivable	**(61,419)**	(168,963)
Prepaid expenses	**9,283**	(6,748)
Accounts payable	**(345,427)**	713,600
Accrued interest payable	**107,499**	52,377
Accrued pension liability	**129,824**	128,094
	(911,101)	(203,510)
Cash Flows from Financing Activities		
(Increase) decrease - Due from the Province of Manitoba	**134,552**	(76,060)
Increase (decrease) - Advance by the Province of Manitoba	**(213,702)**	(123,627)
Subsidy - Province of Manitoba	**1,514,456**	1,514,160
	1,435,306	1,314,473
Cash Flows from Investing Activities		
Loans receivable, net of repayments	**(239,977)**	(3,563,826)
Purchase of capital assets	**(96,822)**	(4,385)
Property held for resale	**366**	148,929
Trust deposits	**(273,571)**	1,322,192
	(610,004)	(2,097,090)
Net decrease in cash and cash equivalents	**(85,799)**	(986,127)
Cash and cash equivalents, beginning of year	**633,038**	1,619,165
Cash and cash equivalents, end of year	**$ 547,239**	$ 633,038
Represented by		
Cash	**$ 266,042**	$ 625,411
Trust deposits - Province of Manitoba	**281,197**	7,627
	$ 547,239	$ 633,038
Supplementary Information		
Interest paid	**$ (1,199,851)**	$ (1,097,000)
Interest received	**2,180,387**	2,402,841

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Summary of Significant Accounting Policies

March 31, 2008

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable

Loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income.

Allowance for Doubtful Loans

Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non-specific" allowance equal to 5% of the outstanding loan balance is recorded.

Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

Revenue Recognition

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Summary of Significant Accounting Policies

March 31, 2008

Pension Expense and Obligation

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2004 indicated the accrued liability is in line with the obligation forecast in the report.

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2008 amounts to $1,895,420 (2007 - $1,765,596).

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Office furniture and equipment	10 - 30%

Financial Instruments

The Fund's recognizes and measures financial assets and financial liabilities on the Statement of Financial Position when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, held-to-maturity, available for sale or other financial liabilities.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Fund has immediate access.

Financial Instruments (cont'd)

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

Transaction costs for financial instruments are capitalized and then amortized over the term to the instrument using the effective interest rate method.

The Fund's financial instruments consist of cash, trust deposits, accounts receivable, loans receivable, accounts payable and amounts due to (from) the Province of Manitoba.

The Fund classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Fund's accounting policy for each category is as follows:

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets (loans). They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-for-trading - This category is comprised of cash. Cash is carried in the balance sheet at fair value.

Other Financial Liabilities - Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprises trade accounts payable and advance by the Province of Manitoba. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

The financial risk is the risk to the Fund's revenues that arise from fluctuations in interest rates and degree of volatility of these rates. The Fund has established policies to manage its exposure to fluctuating interest (referred to as interest rate risk).

Financial Instruments (cont'd)

The Fund is exposed to credit risk that arises from the collection of loans receivable and realization of property held for resale.

All financial instruments are denominated in Canadian dollars.

The Fund does not participate in derivative financial instrument trading or foreign exchange transactions.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Fund, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Fund's financial statements has yet to be determined.

March 31, 2008

1. Nature of the Fund

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July 1991 the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. Change in Accounting Policy

On April 1, 2007, the Fund retrospectively adopted, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

In accordance with these revised standards, the organization has classified each of its financial instruments into the following accounting categories, effective April 1, 2007. The category for an item determines its subsequent accounting under the revised standards.

The adoption of these new standards had no material impact on the Fund's statement of financial position and statement of operations.

3. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $1,970,351 (2007 - $2,104,903) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2008	2007
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	**$ (248,032)**	$ 173,548
Order in Council pending	**258,244**	100,359
Pension (unfunded)	**1,876,021**	1,746,878
Pension (funded)	**18,718**	18,718
Severance accrual (unfunded)	**65,400**	65,400
	$ 1,970,351	$ 2,104,903

4. Loans Receivable

	2008	2007
Business Loan Program		
- Interest rates applied range from 4.125% to 5.5%		
Principal	**$ 11,849,346**	$ 12,495,516
Accrued interest	**700,878**	790,175
	12,550,224	13,285,691
Allowance for doubtful loans (Note 8)	**2,019,245**	1,739,027
	10,530,979	11,546,664
Fisheries Loan Program		
- Interest rates applied range from 4.125% to 5.25%		
Principal	**12,665,450**	12,042,494
Accrued interest	**1,091,302**	940,432
	13,756,752	12,982,926
Allowance for doubtful loans (Note 8)	**3,026,327**	3,140,168
	10,730,425	9,842,758
TEAM Loan Program		
Principal	-	3,755
Accrued interest	-	153
	-	3,908
	$ 21,261,404	$ 21,393,330

The following schedule provides the gross amount of loans together with the loan allowances

	Gross Loan Balances	2008 Total Allowance	Gross Loan Balances	2007 Total Allowance
Business Loan Program				
Impaired	**$ 2,340,180**	**$ 447,558**	$ 2,340,180	$ 553,631
Performing	**10,210,042**	**1,571,687**	10,945,512	1,185,396
	12,550,222	**2,019,245**	13,285,692	1,739,027
Fisheries Loan Program				
Impaired	**$ 3,026,327**	**$ 3,026,327**	$ 3,140,168	$ 3,140,168
Performing	**10,730,425**	**-**	9,842,758	-
	$ 13,756,752	**$ 3,026,327**	$ 12,982,926	$ 3,140,168
TEAM Loan Program				
Impaired	**$ -**	**$ -**	$ 3,908	$ -

5. Capital Assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Office furniture and equipment	$ 138,308	$ 125,152	$ 13,156	$ 14,834
Land	92,482	-	92,482	-
Total	$ 230,790	$ 125,152	$ 105,638	$ 14,834

6. Commitments

On December 20, 2007, the Fund entered into a contract to build a new office building. The building is to be completed by November 30, 2008 as outlined in the contract terms. The total cost associated with the building is $913,242.

Loan Commitments

	2008	2007
Undisbursed balance of approved loans	$ 467,280	$ 950,156

7. Advance by the Province of Manitoba

	2008	2007
Business Loan Program (Note 9)	$ 10,705,422	$ 9,906,881
Fisheries Loan Program (Note 9)	10,118,183	11,130,426
	$ 20,823,605	$ 21,037,307

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 4.10% to 5.75% with a weighted cost of capital of 4.56%.

8. Allowance for Doubtful Loans

The change in the allowance is accounted for as follows:

	Specific	Non-Specific	2008 Total	2007 Total
Business Loan Program				
Balance, beginning of year	$ 1,185,396	$ 553,631	$ 1,739,027	$ 1,441,646
Provision for the year	812,966	(106,073)	706,893	427,803
	1,998,362	447,558	2,445,920	1,869,449
Loans written-off	(426,675)	-	(426,675)	(130,422)
Balance, end of year	$ 1,571,687	$ 447,558	$ 2,019,245	$ 1,739,027

	2008	2007
Fisheries Loan Program		
Balance, beginning of year	$ 3,140,168	$ 2,949,198
Provision for the year	-	200,000
	3,140,168	3,149,198
Loans written-off	(113,841)	(9,030)
Balance, end of year	$ 3,026,327	$ 3,140,168
TEAM Loan Program		
Balance, beginning of year	$ -	$ 40,443
Loans previously allowed for written-off	-	(40,443)
Balance, end of year	$ -	$ -

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2008 by $266,810 (2007 - $555,574).

	2008	2007
Loan Loss Provision		
Per accounts	$ 3,026,327	$ 3,140,168
Per net present value calculation	(2,759,517)	(2,584,594)
	$ 266,810	$ 555,574

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2008.

9. Loan Programs

Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2007". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2008	2007
Advances, beginning of year	**$ 11,737,235**	$ 11,832,828
Loan advances	**1,687,381**	1,759,488
Loan advance repayments	**(406,925)**	(1,724,659)
Loan write-offs	**(130,422)**	(130,422)
	12,887,269	11,737,235
Unfunded allowance, beginning of year	**1,830,354**	1,504,410
Provision for doubtful loans	**706,893**	427,803
Write-offs (Order in Council approved)	**(355,400)**	(101,859)
	2,181,847	1,830,354
Net balance, end of year (Note 7)	**$ 10,705,422**	$ 9,906,881

Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2008	2007
Advances, beginning of year	**$ 14,279,620**	$ 13,781,710
Loan advances	**-**	337,179
Loan advance repayments	**(1,012,243)**	169,763
Loan (write-offs)	**(27,242)**	(9,032)
	13,240,135	14,279,620
Unfunded allowance, beginning of year	**3,149,194**	2,949,194
Provision for doubtful loans	**-**	209,032
Write-offs (Order in Council approved)	**(27,242)**	(9,032)
	3,121,952	3,149,194
Net balance, end of year (Note 7)	**$ 10,118,183**	$ 11,130,426

10. Loan Act Authority

Amounts authorized for advances under "The Loan Act, 2007" are as follows:

	2008
Per Schedule A of "The Loan Act, 2007"	$ 4,600,000
Per Schedule B of "The Loan Act, 2006"	9,999,911
Direct loans	14,599,911
Advances made during the fiscal year	6,450,000
Unused Loan Act capital available	$ 8,149,911

11. Economic Dependence

The ongoing operations of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

12. Contingency

The Fund has been named as a defendant in a statement of claim. At the time of preparation of these financial statements, the outcome of this claim is not determinable and, accordingly, no provision for settlement (if any) has been recorded in these financial statements. Settlement amounts (if any) will be charged to operations in the year of settlement.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Schedule of Operating Expenditures

For the year ended March 31	2008	2007
Amortization of capital assets	$ 6,019	$ 6,703
Building design and permits	62,986	-
Collection costs	35,811	67,761
Communications	44,277	48,818
Credit reports	1,986	2,255
Directors' fees and expenses	56,616	66,445
Government vehicles	31,598	43,956
Insurance	1,535	1,432
Legal costs	5,582	13,816
NFDC	19,898	-
Office supplies and expenses	19,687	18,425
Pension	180,609	172,772
Professional fees	25,500	27,235
Rent and utilities	97,062	94,598
Salaries and benefits	934,967	974,320
Sundry	20,570	18,536
TEAM	23,635	23,722
Travel	60,859	55,882
	$ 1,629,197	$ 1,636,676

Manitoba

Agriculture, Food
and Rural Initiatives
The Co-operative Loans and Loans
Guarantee Board
901C-401 York Avenue
Winnipeg MB R3C 0P8
Phone: (204) 945-8650
Fax: (204) 948-2362

May 7, 2008

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31, 2008, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule of Loan Guarantees.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the Schedule of Loan Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Dori Gingera-Beauchemin
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT
On the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board as at March 31, 2008. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the loan guarantee transactions of the Board as at March 31, 2008 in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 7, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2008

	Amounts Outstanding at March 31, 2007 $	Additions $	Cancellations $	Amounts Outstanding at March 31, 2008 $
Loan Guarantees: (Note 3)				
S M W Workers Co-op Ltd	66,000		11,000	55,000
Lakeview Consumer Co-op Ltd		30,000		30,000
	66,000	30,000	11,000	85,000

Approved by the Board:

Chairperson

Secretary

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2008

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Manitoba Agriculture, Food and Rural Initiatives administers the activities of the Board. The Department pays all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.
b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff services for 2008 is estimated at $6,920 (2007 - $6,310) with another $2,255 (2007 - $2,100) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.
c) In the event of a default on a loan guarantee, the Province of Manitoba is responsible for the payout of the guaranteed amount.

3. Loan Guarantees

a) S M W Workers Co-op Ltd.
On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for S M W Workers Co-op Ltd. of $120,000. The loan guarantee was to reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, in July 1999.

On June 25, 2002, the Board approved a new $110,000 loan guarantee to replace the outstanding $96,000 loan guarantee. The Minister of Industry, Trade and Mines approved the new loan guarantee on June 27, 2002. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, on January 7, 2003. The loan guarantee shall reduce by $11,000 per year beginning February 4, 2004.

Notes to the Schedule
for the year ended March 31, 2007

3. Loan Guarantees (Continued)

b) Lakeview Consumer Co-operative Ltd.
On December 19, 2006, the Board approved a $30,000 loan guarantee. The Winnipeg River Brokenhead Community Futures Development Corporation accepted the loan guarantee and signed an agreement with Lakeview Consumer Co-operative Ltd dated March 5, 2007. The agreement was not executed until July 30, 2007. The loan guarantee shall reduce by $6,000 per year beginning on April 30, 2008.

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2007 (Schedule B)	
Guarantees	$3,500,000
Less: Amounts committed by the Board	85,000
	$3,415,000

5. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to The Co-operative Loans and Loans Guarantee Board members and of individual compensation paid to board members or staff where such compensation exceeds $50,000 per year. For the period from April 1, 2007 to March 31, 2008. The Co-operative Loans and Loans Guarantee Board paid Board members an aggregate of $395. This amount is included in Note 2 b).

Manitoba

Agriculture, Food
and Rural Initiatives
The Cooperative Promotion Board
1129 Queens Avenue
Brandon MB R7A 1L9
Phone: (204) 726-6410
Fax: (204) 726-6260

May 7, 2008

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2008 are the responsibility of management and have been approved by the Board. The financial statements were prepared by management in accordance with the accounting policies set out in Note 2 to the financial statements. Any financial information contained elsewhere in the annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the financial statements of the Board in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Mona Cornock

Mona Cornock
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2008, the General Account statement of revenue and expense and fund balance and the Commercial Fishing Account statement of revenue and expense and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 7, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

The Cooperative Promotion Board

Balance Sheet
as at March 31, 2008

	2008	2007
ASSETS		
General Account		
Current Assets		
Cash (Note 3)	$ 346,124	$ 340,131
Account Receivable	508	564
Accrued Interest Receivable	-	3,602
Total Current Assets	346,632	344,297
Commercial Fishing Account		
Current Assets		
Cash (Note 3)	70,941	70,269
Accrued Interest Receivable	-	676
Total Current Assets	70,941	70,945
Investments (Note 4)	507	507
Total Commercial Fishing Account	71,448	71,452
Total Assets	$ 418,080	$ 415,749
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable - General Account	$ 9,411	$ 2,650
Fund Balances		
General Account - Contributed Capital	128,800	128,800
General Account	208,421	212,847
Commerical Fishing Account (Note 5)	71,448	71,452
	408,669	413,099
Total Liabilities and Fund Balances	$ 418,080	$ 415,749

Approved on behalf of the Board:

Mona Cornick Secretary

Cindy Coker Member

13

General Account
Statement of Revenue and Expense and Fund Balance
for the year ended March 31, 2008

	2008	2007
Revenue		
Interest	$ 13,151	$ 14,871
Administrative expenses paid for by the Province of Manitoba (Note 2f)	19,200	16,000
Total Revenue	32,351	30,871
Expense		
Grants, (Schedule 1)	11,100	22,570
General and administrative		
Annual Report	750	740
Board members' remuneration	1,044	1,113
Board members' meals and travel	1,083	1,379
Membership Fee	756	734
Miscellaneous	21	174
Professional Fees	2,823	2,299
Administrative expenses (Note 2f)	19,200	16,000
	25,677	22,439
Total Expense	36,777	45,009
Excess of Expense over Revenue	(4,426)	(14,138)
Fund Balance, beginning of year	212,847	226,985
Fund Balance, end of year	$ 208,421	$ 212,847

The Cooperative Promotion Board

Commercial Fishing Account
Statement of Revenue and Expense and Fund Balance
for the year ended March 31, 2008

	2008	2007
Revenue		
Interest	$2,496	$2,808
Dividend	-	132
Total Revenue	2,496	2,940
Expense		
Grants (Schedule 1)	2,500	-
Total Expense	2,500	-
Excess of Revenue (under) over Expense	(4)	2,940
Fund Balance, beginning of year	71,452	68,512
Fund Balance, end of year	$71,448	$71,452

Notes to the Financial Statements
for the year ended March 31, 2008

1. Nature and Objectives of the Board

The Cooperative Promotion Board operates under the terms of The Cooperative Promotion Trust Act, which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when the Cooperative Promotion Trust Act came into force. Agriculture, Food and Rural Initiatives administers the activities of the Board.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba.

2. Accounting Policies

a) **General**
These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) **New Accounting Policies**
Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Board's financial statements for the year ended March 31, 2008.

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Board has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the redeemable nature of this financial asset, carrying value is considered to be fair value.

Investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the lack of an active market, cost is considered to be fair value.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of these new accounting standards had no impact on these financial statements for the year ended March 31, 2008.

c) **Financial Instruments**
The financial instruments consist of cash, accounts receivable, investments and accounts payable.

It is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable and accounts payable approximates their carrying values due to their short-term nature.

d) **Use of Estimates**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) **Future Accounting Policy Changes**
The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008 and will only require additional disclosures in the financial statements.

f) **Administrative expenses paid for by the Province of Manitoba**
The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff for 2008 is estimated at $18,760 (2007-$16,000) with another $440 (2007-nil) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

3. Cash

General Account

The cash balance for the General Account includes $333,099 (2007 - $336,347) held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 3.10% effective March 5, 2008. Interest is paid monthly.

Commercial Fishing Account

The cash balance for the Commercial Fishing Account is held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 3.70% effective March 5, 2008. Interest is paid monthly.

4. Investments, Commercial Fishing Account

	2008	2007
Assiniboine Credit Union - Share	$507	$507

5. Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2008 is $71,448 (2007 - $71,452).

6. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

7. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Cooperative Promotion Board members and of individual compensation paid to board members or staff where such compensation exceeds $50,000 per year. For the period of April 1, 2007 to March 31,2008, the Cooperative Promotion Board paid Board members an aggregate of $783.

8. Grants Approved

Grants in the amount of $14,600 were approved but the applicants have not met the payment conditions.

Schedule of Grants
for the year ended March 31, 2008

	2008	2007
General Account		
Canadian Community Investment Network Coop	$ 2,000	$ 2,500
Co-operative Housing Federation of Canada (Manitoba Office)	-	600
EarthShare Agriculture Cooperative Ltd.	-	3,468
Manitoba Cooperative Association Inc	5,700	16,002
Dr J.G. Carlberg	2,500	-
Lakeview Crocus Co-op	900	-
	11,100	22,570
Commercial Fishing Account		
Northwest Cooperative Fisheries Ltd.	2,500	-
	$ 13,600	$ 22,570

THE COUNCIL ON POST-SECONDARY EDUCATION

Responsibility for Financial Statements

The management of the Council on Post-Secondary Education is responsible for the financial reporting process that produces the financial statements and accompanying notes. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Council is responsible for overseeing management's performance of its financial reporting responsibilities. The statements are audited by the Auditor General of Manitoba, whose opinion is included herein.

In order to fulfill this responsibility, management maintains systems of internal control over the financial reporting process designed to provide assurance that relevant and reliable financial information is produced.

"Original signed by Margaret McDonald"

Margaret McDonald, CGA
Chief Financial Officer

"Original signed by Sid Rogers"

Sid Rogers
Secretary to the Council

July 31, 2008
Winnipeg, Manitoba



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the statement of financial position of The Council on Post-Secondary Education as at March 31, 2008, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 31, 2008

500 - 330 Portage Avenue, Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Financial Position
As at March 31, 2008

	2008	2007
ASSETS		
Current Assets:		
Cash	$ 335,417	$ 916,150
Accounts receivable	746,108	339,346
	1,081,525	1,255,496
Long-term Receivable:		
Province of Manitoba (Note 3)	1,242,934	1,174,692
Capital Assets (Note 4)	24,467	34,838
Total Assets	$ 2,348,926	$ 2,465,026
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 228,461	$ 92,213
Grants payable	614,908	927,826
	843,369	1,020,039
Long-term Liabilities:		
Provision for employees' severance benefits (Note 5)	106,539	107,943
Provision for employer's share of employees' pension benefits (Note 6)	1,138,793	1,070,551
	1,245,332	1,178,494
Total Liabilities	2,088,701	2,198,533
Net Assets		
Investment in Capital Assets	24,467	34,838
Unrestricted Net Assets	235,758	231,655
	260,225	266,493
	$ 2,348,926	$ 2,465,026

Commitments (Note 7)

Approved on Behalf of the Council

THE COUNCIL ON POST- SECONDARY EDUCATION

Statement of Operations
For the year ended March 31, 2008

	2008	2007
Revenues:		
Province of Manitoba grants:		
Department of Advanced Education and Literacy	$ 495,575,064	$ 447,164,616
Other	395,907	990,514
Interest	26,608	22,083
Total Revenues	495,997,579	448,177,213
Expenses		
Operating grants	399,072,184	370,920,365
Support programs	1,216,769	1,388,579
College Expansion Initiative grants	29,218,397	29,685,933
Post Secondary Strategic grants	1,839,700	1,804,250
Equipment and Renovations grants	17,313,100	6,785,992
Major Capital grants	21,485,898	12,471,850
Access grants	7,665,300	7,167,385
Tuition Rebate grants	12,918,634	13,239,288
Inter-Provincial Training Agreement	3,881,320	3,553,979
Administrative and Other, Schedule 1	1,392,545	1,260,069
Total Expenses	496,003,847	448,277,690
Deficiency of Revenues over Expenses	$ (6,268)	$ (100,477)

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Changes in Net Assets
For the year ended March 31, 2008

	2008			2007
	Investment in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 34,838	$ 231,655	$266,493	$366,970
Deficiency of Revenues over Expenses	-	(6,268)	(6,268)	(100,477)
Amortization	(10,371)	10,371	-	-
Balance, End of Year	$24,467	$235,758	$260,225	$266,493

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Cash Flows
For the year ended March 31, 2008

	2008	2007
Cash Provided by (Used In) Operating Activities:		
Deficiency of Revenues over Expenses	$ (6,268)	$ (100,477)
Amortization	10,371	17,201
	4,103	(83,276)
Net Change in Non-Cash Working Capital Items:		
(Increase) Decrease in Accounts receivable	(406,762)	365,553
Increase (Decrease) in Accounts payable and accrued liabilities	136,248	(9,033)
(Decrease) Increase in Grants payable	(312,918)	250,960
	(579,329)	524,204
Cash Provided by (Used In) Financing Activities:		
Increase in Long-term receivable – Province of Manitoba	(68,242)	(39,206)
(Decrease) Increase in Provision for employees' severance benefits	(1,404)	2,837
Increase in Provision for employer's share of employees' pension benefits	68,242	39,206
	(1,404)	2,837
Cash Used In Investing Activities:		
Purchase of Capital Assets	0	(18,197)
(Decrease) Increase in Cash for the Year	(580,733)	508,844
Cash, beginning of year	916,150	407,306
Cash, end of year	$ 335,417	$ 916,150

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenses
For the year ended March 31, 2008

	2008	2007
Amortization	$ 10,371	$ 17,201
Automobile and traveling	58,605	42,991
Communication data strategy	44,950	-
Computer operating and lease costs	37,703	37,080
Course and membership fees	7,742	16,491
Furniture and equipment	4,258	4,439
Meetings-Council	5,174	7,001
Miscellaneous grants	33,861	4,750
Office rental	52,074	57,416
Postage and telephone	16,448	15,051
Printing and stationery supplies	24,152	20,921
Professional fees	62,128	22,662
Remuneration for Council members	41,112	41,023
Repairs and maintenance	572	25
Salaries and employee benefits	969,988	938,529
Subscriptions and books	1,680	3,222
Sundry	21,727	31,267
Total administrative and other expenses	$ 1,392,545	$ 1,260,069

Notes to Financial Statements
for the year ended March 31, 2008

1. Nature of Operations

The Council on Post-Secondary Education (COPSE) was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

On April 11, 2006, Treasury Board authorized the reorganization of the Council on Post-Secondary Education Secretariat. This included the integration of the College Expansion Initiative into the Council on Post-Secondary Education Secretariat.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles.

B. New Accounting Policies

Effective April 1, 2007 COPSE adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on COPSE's financial statements for the year ended March 31, 2008.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in the excess of revenues over expenses and unrestricted net assets, respectively. All other financial instruments are subsequently measured at amortized cost.

The Council has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in the excess of revenue over expenses.

Accounts receivable are classified as loans and receivables and are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and grants payable are classified as other financial liabilities and are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on COPSE's financial statements for the year ended March 31, 2008.

C. Grant Payments

Operating, support program, college expansion initiative, tuition rebate, access, and strategic initiatives grants reflect payments to Manitoba universities and community colleges for their annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

Equipment and renovation grants are provided to Manitoba universities and community colleges based on the cash flow requirements of those institutions.

D. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

E. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation and severance benefits is recorded based on the Council's best estimates.

F. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial report.

G. Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Computer Software	4 years
Machinery and Equipment	10 years
Computer Equipment	4 years

H. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

I. Financial Instruments

The Council on Post-Secondary Education's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and grants payable. The fair values of these financial instruments approximate their carrying values due to their short term maturity.

In addition, the long-term receivable - Province of Manitoba is also a financial instrument. The carrying value of this long-term receivable approximates its fair value, as the annual interest accretion is funded.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

J. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

3. Long-term Receivable – Province of Manitoba

The long term receivable from the Province of Manitoba represents the following recoverable amounts.

Severance	$ 104,141	$ 104,141
Pension	1,138,793	1,070,551
	$ 1,242,934	$ 1,174,692

The amount recorded as a receivable from the Province for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The Province has accepted responsibility for the funding of the Council's pension liability and related expense which includes an interest component. The Council has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability of $1,138,793 (2007 - $1,070,551) and has recorded revenue for the year ended March 31, 2008 equal to its pension expense of $68,242 (2007 - $39,206). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

4. Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture	$ 59,089	$ 53,653	$ 5,436	$ 8,782
Leasehold Improvements	25,019	14,150	10,869	13,372
Computer Software	5,590	2,096	3,494	4,891
Office Equipment	10,685	9,437	1,248	2,316
Computer Equipment	24,196	20,776	3,420	5,477
	$ 124,579	$ 100,112	$ 24,467	$ 34,838

5. Provision for Employees' Severance Benefits

	2008	2007
Balance at beginning of year	$ 107,943	$ 105,106
Experience gain	-	(167)
Benefits accrued	4,709	4,527
Interest accrued on benefits	7,568	6,713
Benefits paid	(13,681)	(8,236)
Balance at end of year	$ 106,539	$ 107,943

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used were a rate of return of 7% (2007 – 7%), inflation 2.5% (2007 – 2.5%) and salary rate increases of 3.25% (2007 – 3.25%). The accrued benefit cost method with salary projection was used and the liability has been extrapolated to March 31, 2008 using a formula provided by the actuary.

6. Provision for Employer's Share of Employees' Pension Benefits

	2008	2007
Balance at beginning of year	$ 1,070,551	$ 1,031,345
Benefits accrued	47,552	49,475
Interest accrued on benefits	75,836	74,095
Benefits paid	(55,146)	(84,364)
Balance at end of year	$ 1,138,793	$ 1,070,551

An actuarial valuation of the pension obligations as at December 31, 2004 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used were a rate of return of 7% (2007 – 7%), inflation 2.5% (2007 – 2.5%), salary rate increases of 3.25% (2007 – 3.25%) and post retirement indexing at 2/3 of the inflation rate. The accrued benefit cost method with salary projection was used and the liability has been extrapolated to March 31, 2008 using a formula provided by the actuary.

7. Commitments

The Council on Post-Secondary Education has approved incremental funding for the following new programs:

System Restructuring Envelope	$ 40,000
Strategic Program Envelope	443,400
Total	$ 483,400

8. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

9. Economic Dependence

The Council is economically dependent on funding received from the Province of Manitoba.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

Auditors' Report

To the Members of
CROWN CORPORATIONS COUNCIL

We have audited the balance sheet of **CROWN CORPORATIONS COUNCIL** as at December 31, 2007 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 2, 2007.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
February 13, 2008

FINANCIAL STATEMENTS

BALANCE SHEET

	December 31	
	2007	2006
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 513	$ 439
Accounts receivable	9	6
	522	445
Capital assets (note 5)	1	6
	$ 523	$ 451
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 102	$ 91
Levies received in advance	162	109
Due to Manitoba Crown corporations (note 4)	78	96
	342	296
Retirement allowances and other benefits payable (notes 2 (e) and 6)	180	149
	522	445
Reserve reflecting net investment in capital assets	1	6
	$ 523	$ 451

Approved by the Board

Original Signed By
Chairman

Original Signed By
Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2007	2006
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	**$ 706**	$ 694
Interest	**12**	12
	718	706
Expenses		
Salaries and benefits (notes 2(c) and 6)	**522**	501
Board remuneration and expenses	**77**	78
Rent	**76**	76
Professional fees	**9**	17
Automobile expense	**8**	8
Telephone, courier and internet	**7**	-
Office supplies and printing	**7**	6
Travel	**6**	1
Depreciation	**5**	14
Industry conferences	**2**	-
Equipment rental and maintenance	**2**	3
Insurance and miscellaneous	**1**	1
Professional development	**1**	1
	723	720
Excess (deficit) of income over expenses	**$ (5)**	$ (14)
Reserve reflecting net investment in capital assets, beginning of year	**6**	20
Reserve reflecting net investment in capital assets, end of year	**$ 1**	$ 6

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Financial instruments

The Council recognizes and measures financial assets and financial liabilities on the Balance Sheet when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a settlement date basis. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, held to maturity, available for sale or other financial liabilities.

Held for Trading

Financial instruments are classified under this category if they are:
(i) acquired principally for the purpose of selling or repurchasing in the near term;
(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
(iii) a derivative, except for a derivative that is a financial guarantee contract or a designated effective hedging instrument; or
(iv) designated at fair value using the fair value option ("FVO")

Financial instruments cannot be transferred into or out of the Held for Trading category after inception. For designation at fair value using the FVO option, reliable fair values must be readily available.

These instruments are recognized initially at fair value and transaction costs are taken directly to the Statement of Income. They are subsequently measured at fair value and gains and losses arising from changes in fair value of these instruments are recorded in the Statement of Income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates, usually with interest, that are not debt securities or instruments classified as held for trading on initial recognition.

Accounts receivable have been classified as loans and receivables. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently valued at amortized cost using the effective interest method less any provision for impairment.

Other Financial Liabilities

Other financial liabilities are non-derivative financial liabilities and include accounts payable. These instruments are initially recognized at fair value including direct and incremental transaction costs. They are subsequently measured at amortized cost using the effective interest method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Council has immediate access.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discounted rates. In determining those assumptions, external readily observable market inputs including interest rate yield curves, currency rates and price and rate volatilities are considered, as applicable.

b) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

c) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

d) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

e) Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $23,800 (2006 - $23,000).

In addition, one employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

3. Change in accounting policy

On January 1, 2007 the Council adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These standards were: Comprehensive Income (handbook "Section 1530"), Financial Instruments – Recognition and Measurement (handbook "Section 3855"), Financial Instruments – Disclosure and Presentation (handbook "Section 3861"), and Hedges (handbook "Section 3865"). The adoption of these new standards resulted in changes in the accounting for financial assets and liabilities, non-financial derivatives and hedge accounting (which is optional), none of which had a significant impact on the financial reporting of the Council.

4. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

5. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2007	2006
	(in thousands of dollars)	
Cost		
Office furniture and equipment	**$ 61**	$ 61
Computer equipment	**46**	46
	$107	$107
Accumulated depreciation		
Office furniture and equipment	**$ 60**	$ 60
Computer equipment	**46**	41
	$106	$101
Net book value	**$ 1**	$ 6

6. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2004 and the next required valuation is as of December 31, 2007. The December 31, 2007 actuarial valuation was not complete as of the date of this report.

(a) Information about the Council's retirement allowance benefit plan is as follows:

	2007 $	2006 $
Accrued benefit obligation		
Balance, beginning of year	**100**	91
Current service cost	**4**	4
Interest cost	**6**	5
Experience loss on triennial adjustment	**0**	0
Accrued benefit obligation, December 31	**110**	100
Unamortized transitional amount, December 31	**(10)**	(15)
Accrued retirement allowance, December 31	**100**	85

The Council's retirement allowance expense consists of the following:

	2007 $	2006 $
Current service costs	**4**	4
Interest cost	**5**	5
Accrued earned interest	**(1)**	0
Experience loss on triennial adjustment	**0**	0
Amortization of transitional amount	**5**	5
Total retirement allowance expense	**13**	14

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2007 %	2006 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

(b) Information about the Council's enhanced pension benefit plan is as follows:

	2007 $	2006 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	**64**	51
Current service cost	**11**	9
Interest cost	**5**	4
Experience gain on triennial adjustment	**0**	0
Accrued benefit obligation and accrued pension liability, December 31	**80**	64

The Council's enhanced pension expense (income) consists of the following:

	2007 $	2006 $
Current service costs	**11**	9
Interest cost	**5**	4
Experience gain on triennial adjustment	**0**	0
Employee contributions	**(2)**	(2)
Total enhanced pension expense	**14**	11

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2007 %	2006 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

7. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2010 to annual basic rental payments of approximately $35,400 and annual common area and operating costs of approximately $36,800.

The lease payments excluding annual common area and operating costs are as follows:

Year	Base Rent
2008	$35,379
2009	$35,379
2010	$11,793
	$82,551

8. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the statement of financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2008 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada.
May 23, 2008.

Chartered Accountants

Diagnostic Services of Manitoba Inc.
Incorporated under the laws of Manitoba

STATEMENT OF FINANCIAL POSITION

[Expressed in thousands of dollars]

As at March 31

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	1,756	1,572
Accounts receivable *[note 3]*	7,256	7,539
Prepaid expenses	24	20
Vacation pay recoverable from		
Manitoba Health	21	21
Regional Health Authorities of Manitoba	3,667	3,441
Total current assets	12,724	12,593
Capital assets *[note 4]*	37,533	13,258
Pre-retirement benefits recoverable *[note 5]*	6,838	6,399
	57,095	32,250
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 6]*	10,492	12,298
Current portion of obligations under capital lease *[note 7]*	254	
Accrued vacation pay	3,896	3,607
Total current liabilities	14,642	15,905
Accrued pre-retirement benefits *[note 11(b)]*	7,044	6,491
Obligations under capital lease *[note 7]*	885	
Deferred contributions *[note 8]*	33,382	9,015
Total liabilities	55,953	31,411
Commitments *[note 9]*		
Net assets	1,142	839
	57,095	32,250

See accompanying notes

On behalf of the Board:

Director

Director

Diagnostic Services of Manitoba Inc.

STATEMENT OF OPERATIONS

[Expressed in thousands of dollars]

Year ended March 31

	2008 $	2007 $
REVENUE		
Manitoba Health operating income	**3,902**	3,943
Investment income	**99**	12
Recoveries from Regional Health Authorities of Manitoba	**49,069**	33,393
Recognition of deferred contributions *[note 8]*		
Capital - amortization	**2,407**	565
Expenses	**259**	114
	55,736	38,027
EXPENSES		
Direct operating *[note 10]*	**52,912**	36,029
Amortization of capital assets	**2,521**	565
	55,433	36,594
Excess revenue over expenses for the year	**303**	1,433

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF NET ASSETS

[Expressed in thousands of dollars]

Year ended March 31

	2008			2007
	Invested in capital assets	**Unrestricted**	**Total**	**Total**
	$	$	$	$
	[note 12]			
Net assets (deficiency), beginning of year	—	**839**	**839**	(594)
Excess revenue over expenses (expenses over revenue) for the year	**(114)**	**417**	**303**	1,433
Purchase of capital assets	**151**	**(151)**	—	—
Net assets, end of year	**37**	**1,105**	**1,142**	839

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CASH FLOWS

[Expressed in thousands of dollars]

Year ended March 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Excess revenue over expenses for the year	**303**	1,433
Add (deduct) items not involving cash		
Amortization of capital assets	**2,521**	565
Amortization of deferred contributions related to capital assets	**(2,407)**	(565)
Recognition of deferred contributions related to expenses	**(259)**	(114)
	158	1,319
Net change in non-cash working capital balances related to operations	**(4,931)**	(700)
Deferred contributions received - future expenses	**289**	319
Cash provided by (used in) operating activities	**(4,484)**	938
INVESTING ACTIVITIES		
Accounts payable related to capital assets	**3,581**	4,673
Acquisition of capital assets	**(13,825)**	(8,522)
Cash used in investing activities	**(10,244)**	(3,849)
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**13,773**	4,483
Capital lease obligations, net of repayments	**1,139**	—
Cash provided by financing activities	**14,912**	4,483
Net increase in cash and cash equivalents during the year	**184**	1,572
Cash and cash equivalents, beginning of year	**1,572**	—
Cash and cash equivalents, end of year	**1,756**	1,572

See accompanying notes

Diagnostic Services of Manitoba Inc.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on the 20th of December 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing lab services throughout the province of Manitoba, and imaging services within the rural environment. Currently the organization is in a period of transition which will culminate in the transfer of all staff and assets with respect to the operations described above to DSM.

Effective April 1, 2005, agreements were signed with 11 Regional Health Authorities of Manitoba ["RHAs"] and 7 non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and 7 non-devolved facilities to transfer to DSM all unionized staff, existing lab assets and contracts of the facilities and outline the provision of services between the signators. Pursuant to the agreement, employees, contracts and assets have been transferred and costs specified in the agreement recovered from the RHAs or Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 Regional Health Authorities to transfer to DSM all unionized staff, existing diagnostic services assets and contracts of the facilities and outline the provision of service between signators.

Pursuant to the agreement all assets and contracts have been transferred at costs specified in the agreement. Consistent with the terms of the agreement, staff will be transferred in the upcoming year.

DSM is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations as follows:

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

[d] Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/software	20%
Furniture and equipment	10%
Equipment under capital lease	10%

[e] Pre-retirement benefits

The costs of pre-retirement benefits earned by employees are charged to expense as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases and ages at which employees will retire.

[f] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

[g] Financial instruments

Effective April 1, 2007, DSM adopted the recommendations of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. The new standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities.

DSM's financial assets and financial liabilities are measured as follows:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

- Accounts receivable, vacation pay and pre-retirement benefits recoverable from Manitoba Health and the RHAs are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities, accrued vacation pay and accrued pre-retirement benefits are classified as other financial liabilities. These liabilities are recorded at their amortized cost using the effective interest rate method.

The fair value of these financial instruments approximates the carrying value. It is management's opinion that DSM is not exposed to significant interest, currency or credit risk arising from these financial instruments. The adoption of these recommendations did not have a significant impact on the financial statements in the prior or current year.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2008 $	2007 $
Due from Manitoba Health	612	216
Due from RHAs	5,992	7,097
Other	652	226
	7,256	7,539

4. CAPITAL ASSETS

Capital assets consist of the following:

	2008		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware software	3,126	630	2,496
Furniture and equipment	18,670	2,364	16,306
System software-in-progress	17,555	—	17,555
Equipment under capital lease	1,290	114	1,176
	40,641	3,108	37,533

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

	2007		
	Cost $	**Accumulated amortization** $	**Net book value** $
Computer hardware software	95	27	68
Furniture and equipment	3,837	560	3,277
System software-in-progress	9,913	—	9,913
	13,845	587	13,258

System software-in-progress will not be amortized until such time as it becomes available for use.

During the year, $11,738 of capital assets were transferred to DSM from the RHAs pursuant to the agreement dated November 1, 2007. In addition, RIS PACS assets valued at $1,164 were transferred from the WRHA to DSM. These assets were recorded at an amount equal to the contributing RHA's carrying amount [net book value] of the transferred assets given the RHAs are considered related parties. The assets were transferred for nil cash consideration and the offsetting credit was recorded in deferred contributions *[note 8]*. Similarly, $69 in capital assets from Canadian Blood Services were transferred to DSM pursuant to an agreement dated April 1, 2007. These assets were transferred for nil cash consideration and the offsetting credit was recorded in deferred contributions.

In the prior year, $3,176 of capital assets were transferred to DSM from WRHA pursuant to the agreement dated April 1, 2006.

5. PRE-RETIREMENT BENEFITS RECOVERABLE

	2008 $	**2007** $
Pre-retirement benefits recoverable from		
Manitoba Health	**111**	108
RHAs	**6,727**	6,291
	6,838	6,399

Pre-retirement benefits recoverable from Manitoba Health is recovered as benefits are provided and is guaranteed by the Province of Manitoba.

The amount recorded as a receivable for pre-retirement costs were initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through Manitoba Health] has included in its ongoing annual funding to DSM, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre-retirement benefits recoverable from the RHAs will be repaid as benefits are provided.

The pre-retirement benefits recoverable is a financial instrument and has been classified as loans and receivables, and is valued at amortized cost using the effective interest rate method. The carrying value of the pre-retirement benefits recoverable approximates its fair value, because the annual interest accretion is funded.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2008 $	2007 $
Accounts payable and accrued liabilities	5,597	7,378
Due to Manitoba Health	—	103
Due to Winnipeg Regional Health Authority	4,895	4,817
	10,492	12,298

7. OBLIGATIONS UNDER CAPITAL LEASE

The acquisition of electron microscopes and the installation of the liquid chromatograph tandem mass spectrometer were financed through separate leasing agreements. The leases have implicit rates of interest in the range of 5% - 6.5%, and are repayable in fixed blended monthly amounts of approximately $21. The obligations will be fully paid in May 2014 and June 2012, respectively.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

The following is a schedule of future minimum lease payments under capital lease, together with the balance of the obligation:

	$
2009	253
2010	253
2011	253
2012	253
2013	161
Balance	166
	1,339
Less interest	(200)
	1,139
Less current portion	(254)
	885

8. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2008 $	2007 $
Deferred contributions		
Expenses	**356**	326
Capital	**33,026**	8,689
	33,382	9,015

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

[a] Deferred contributions, expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

Deferred contributions, future expenses consist of the following:

	2008 $	2007 $
Balance, beginning of year	326	121
Deferred contributions received	289	319
Recognized in revenue	(259)	(114)
Balance, end of year	356	326

[b] Deferred contributions, capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008 $	2007 $
Balance, beginning of year	8,689	1,595
Debt assumed by the Province of Manitoba	11,813	3,982
Deferred contributions received	1,960	501
Deferred contributions transferred *[note 4]*	12,971	3,176
Amounts amortized to revenue	(2,407)	(565)
Balance, end of year	33,026	8,689

Debt that has been incorporated in deferred contributions includes $11,813 of a committed term facility that is now held by the Province of Manitoba. This facility is available by way of prime based loans, bearing interest at prime minus 1.25%.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

9. COMMITMENTS

[a] Lease payments

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2009	170
2010	172
2011	174
2012	174
2013	87
	777

In addition, pursuant to the agreements dated November 1, 2007 and April 1, 2006, DSM entered into leases with the RHAs for premises totalling $4,296 per year. These leases have no expiry dates.

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

Manitoba Health has approved $41,569 in relation to the RIS PACS project. As custodian of $10,600 of funding for the Provincial RIS PACS project, DSM may enter into commitments with respect to project requirements. These commitments are fully funded by the province.

10. DIRECT OPERATING EXPENSES

Direct operating expenses consist of the following:

	2008 $	2007 $
Salaries and benefits	48,217	32,775
Communications	6	1
Equipment	386	247
External consulting	285	184
Insurance	52	46
Interest on capital lease obligations	70	—
Lab and diagnostic supplies	10	10
Legal and audit	76	82
Meetings	22	21
Miscellaneous	8	7
Printer, paper and office supplies	61	34
Recruitment	115	220
Rent	3,097	2,107
Staff training and development	325	209
Telephone	17	9
Travel	165	77
	52,912	36,029

11. EMPLOYEE FUTURE BENEFITS

[a] Pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees' Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"].

HEPP is a multi-employer, defined benefit pension plan. Employer contributions made to the plan during the year by DSM and expensed amounted to $2,414 [2007 - $1,452]. The most recent actuarial value of the plan as at January 1, 2008 indicates the plan is fully funded.

DSM is considered a "non-matching employer" in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement benefits

DSM has a commitment to provide pre-retirement leave benefits for employees that meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to the retirement date.

DSM measures its accrued obligation for the pre-retirement benefits as at March 31 of each year. The most recent actuarial valuation report was at March 31, 2007.

During the current year, the pre-retirement obligation incurred (recovered) amounted to $553 [2007 – ($51)] and has been recorded as an expense of the period. An offsetting recovery of $438 with respect to transferred employees has also been recorded.

The significant actuarial assumptions adopted in measuring DSM's pre-retirement benefit obligation are as follows:

	Year ended March 31, 2008 %	Year ended March 31, 2007 %
Discount rate	**5.50**	4.85
Rate of base compensation increase	**3.50**	3.00

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

12. INVESTED IN CAPITAL ASSETS

Change in net assets' invested in capital assets is calculated as follows:

[a] Surplus (deficit)	2008 $	2007 $
Amortization of capital assets	(2,521)	(565)
Amounts funded by deferred capital contributions, amortized to revenue	2,407	565
	(114)	

[b] Purchase of capital assets	2008 $	2007 $
Acquisition	26,796	13,823
Amounts funded by:		
Accounts payable	(3,581)	(4,569)
Deferred contributions	(21,925)	(9,254)
Capital lease obligations	(1,139)	
	151	
Change in net assets	37	

The acquisition of assets and related deferred contribution includes $12,971 of assets transferred to DSM *[note 4]*.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2008

13. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

Entity	Relationship
Manitoba Health	Controlling entity
RHAs	Entities under common control

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with Manitoba Health and the RHAs:

	2008 $	2007 $
Salaries and benefits	**44,851**	30,624
Equipment	**432**	211
External consulting	**174**	78
Insurance	**33**	31
Lab and diagnostic supplies	**10**	10
Legal and audit	**11**	2
Printer, paper and office supplies	**6**	8
Recruitment	**75**	161
Rent	**2,958**	2,002
Staff training and development	**215**	164
Telephone	**1**	1
Travel	**95**	43

14. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependant on Manitoba Health for continued operations.

15. ACCOUNTING POLICY CHANGES

Effective April 1, 2007, DSM adopted CICA Section 1506, "Accounting Changes". The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing more reliable and relevant information. The section also requires a change in accounting policy to be applied retroactively and calls for enhanced disclosure about the effects of changes in accounting policies, estimates and errors on the financial statements. It requires the disclosure of a description and the impact on the DSM's financial results of any new primary source of generally accepted accounting principles that has been issued but is not yet effective. The adoption of the new standard did not have any impact on DSM's financial position or on the results of its operations.

The CICA has issued two new standards, Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2009, will only require additional disclosures in the financial statements.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2008 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
May 9, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Economic Innovation and Technology Council
Balance Sheet

Exhibit A

As at March 31

	2008	2007
Assets		
Current		
Petty cash	$	$
Funds on deposit		
Minister of Finance		
Cash	**6,458**	11,110
Accounts receivable		
Province of Manitoba	**2,257**	4,109
Other	**41,129**	37,429
Prepaid expenses	**934**	893
	50,778	53,541
Investment in Manitoba Technology Centre Ltd. (Note 3)	**1**	1
	$ 50,779	$ 53,542
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	**$ 8,834**	$ 13,535
Other	**10,000**	4,908
Unearned project receipts	**-**	12,501
	18,834	30,944
Equity		
Funds retained (Exhibit B)	**31,945**	22,598
	$ 50,779	$ 53,542

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2008	2007
Revenue		
Government of Canada, program grant	$ 68,083	$ 85,838
Sundry	15,000	
	83,083	85,838
Expenditure		
Operating expenses (Schedule 1)	73,736	95,040
Surplus (deficiency) of revenue over expenditure	$ 9,347	$ (9,202)
Funds retained, beginning of year	$ 22,598	$ 31,800
Surplus (deficiency) of revenue over expenditure	9,347	(9,202)
Funds retained, end of year (Exhibit A)	$ 31,945	$ 22,598

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Project Revenue and Expenditures

Exhibit C

Year Ended March 31

	2008	2007 (Note 5)
Receipts (by Program/Project)		
Life Science Initiatives		
Contribution from Province of Manitoba (Note 4)	$ 35,000	$ 7,500
Program sponsors		570
Knowledge Based Initiatives		
Contribution from Province of Manitoba	6,825	85,950
Program sponsors	15,530	5,500
Energy and Climate Change Initiatives		
Contribution from Government of Canada	0	20,092
Contribution from Province of Manitoba (Note 4)	277,072	264,403
Science and Technology Initiatives		
Contribution from Province of Manitoba (Note 4)	28,077	72,413
Targeted Geoscience Initiatives		
Contribution from Government of Canada	67,900	9,809
	430,404	466,237
Expenditure (by Program/Project)		
Life Science Initiatives	35,000	8,070
Knowledge Based Initiatives	22,355	91,450
Energy and Climate Change Initiatives	277,072	284,495
Science and Technology Initiatives	28,077	72,413
Targeted Geoscience Initiatives	67,900	9,809
	430,404	466,237
Excess of revenue over expenditures retained	$ -	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Statement of Cash Flows

Exhibit D

Year Ended March 31	2008	2007
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	**$ 9,347**	$ (9,202)
Net changes in non-cash working capital balances		
Accounts receivable	**(1,848)**	(30,457)
Prepaid expenses	**(41)**	6,396
Accounts payable and accrued liabilities	**391**	9,068
Unearned project revenues	**(12,501)**	2,122
Net decrease in cash	**(4,652)**	(22,073)
Cash and funds on deposit, beginning of year	**11,110**	33,183
Cash and funds on deposit, end of year	**$ 6,458**	11,110
Represented by:		
Cash	**$**	$
Funds on deposit		
Minister of Finance		
Cash	**6,458**	11,110
	$ 6,458	$ 11,110

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2008

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) New Accounting Policies

Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The entity has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair valued with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Entity has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Investment in related party is classified as available for sale and is measured at cost with gains and losses recognized in non-comprehensive income.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

c) Financial instruments

The entities financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

d) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

e) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

f) Revenue recognition

Revenue is recognized as program expenditures are incurred.

g) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

3. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

A gain of $434,175 resulting from this redemption was recorded.

4. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

5. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

Economic Innovation and Technology Council
Schedule of Expenses

Schedule 1

Year Ended March 31

	2008	2007
National Research Council - Industrial Research Assistance Program	$ 68,083	$ 85,838
Council activities		4,000
Printing and stationery		200
Professional fees	5,588	5,520
Purchased services	65	
Rental and property tax		36
Travel		(554)
	$ 73,736	$ 95,040

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Directors of First Nations of Northern Manitoba Child and Family Services Authority

We have audited the statement of financial position of First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2008 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 20, 2008

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$ 1,000,183	$ 1,157,356
Accounts receivable from the Province	906,911	993,121
Working capital receivable from agencies	128,000	-
Accounts receivable	113,357	93,761
Prepaid expenses	15,135	15,347
	2,163,586	2,259,585
EQUIPMENT *(Notes 2, 3)*	97,331	48,722
	$ 2,260,917	$ 2,308,307
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 679,965	$ 1,152,525
Working capital payable to the Province	128,000	-
	807,965	1,152,525
NET ASSETS		
Unrestricted	64,279	35,247
Internally restricted *(Note 5)*	788,107	470,565
Externally restricted *(Note 6)*	503,235	601,248
Invested in equipment	97,331	48,722
	1,452,952	1,155,782
	$ 2,260,917	$ 2,308,307

LEASE COMMITMENT *(Note 8)*

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Changes in Net Assets

Year Ended March 31, 2008

	Unrestricted	Internally Restricted	Externally Restricted	Invested in Equipment	**2008**	2007
NET ASSETS - BEGINNING OF YEAR	$ 35,247	$ 470,565	$ 601,248	$ 48,722	**$ 1,155,782**	$ 969,260
Excess of revenue over expenses	327,451	-	-	(30,281)	**297,170**	186,522
Interfund transfers	(219,529)	317,542	(98,013)	-	**-**	-
Purchase of Assets	(78,890)	-	-	78,890	**-**	-
NET ASSETS - END OF YEAR	$ 64,279	$ 788,107	$ 503,235	$ 97,331	**$ 1,452,952**	$ 1,155,782

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Revenues and Expenses

Year Ended March 31, 2008

	2008	2007
REVENUE		
Province of Manitoba - Authority Funding	$ 12,540,879	$ 9,612,433
Interest	77,002	50,010
Other	834	-
	12,618,715	9,662,443
EXPENSES		
Annual general meeting	13,642	8,907
Audit	3,562	3,605
Bad debts	4,092	-
Bank and service fees	639	507
Board expenses	2,804	1,374
Board honorarium	15,200	1,200
Changes for children	186,876	-
Communications	12,831	8,620
IT support	6,118	-
Insurance	11,243	12,408
Joint training unit	88,095	-
Memberships and subscriptions	2,010	2,211
Miscellaneous	25,274	20,580
Office supplies	10,917	5,898
Payments to agencies	10,328,402	8,505,456
Payments to authorities	247,888	113,850
Payroll processing	1,654	1,186
Postage and courier	1,188	974
Printing and stationery	2,390	2,237
Professional fees	124,914	84,833
Recruitment costs	7,484	-
Rent	47,115	35,756
Salaries and benefits	884,485	512,092
Small equipment and repairs	1,501	-
Staff development	10,567	3,108
Strategic planning	8,918	15,671
Transition	98,013	2,142
Travel	143,442	110,318
	12,291,264	9,453,833
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	327,451	208,610
OTHER EXPENSES		
Amortization	(30,016)	(22,088)
Loss on disposal of assets	(265)	-
	(30,281)	(22,088)
EXCESS OF REVENUE OVER EXPENSES	$ 297,170	$ 186,522

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flows

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 297,170	$ 186,522
Items not affecting cash:		
Amortization	30,016	22,088
Loss on disposal of assets	265	-
	327,451	208,610
Changes in non-cash working capital:		
Accounts receivable	(61,385)	(559,905)
Accounts payable and accrued liabilities	(344,561)	684,350
Prepaid expenses	212	(5,859)
	(405,734)	118,586
Cash flow from (used by) operating activities	(78,283)	327,196
INVESTING ACTIVITY		
Purchase of equipment	(78,890)	(33,053)
Cash flow used by investing activity	(78,890)	(33,053)
INCREASE (DECREASE) IN CASH FLOWS	(157,173)	294,143
CASH - BEGINNING OF YEAR	1,157,356	863,213
CASH - END OF YEAR	$ 1,000,183	$ 1,157,356
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	$ 77,002	$ 50,010

1. DESCRIPTION OF OPERATIONS

The First Nations of Northern Manitoba Child and Family Services Authority (Northern Authority) has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Northern Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nation, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Northern Authority is exempt from income taxes under Section 149(1)(t) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Authorities Act came into force upon proclamation. Proclamation occurred on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New accounting policies

Effective April 1, 2007 the Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Authority has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Authority's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Authority has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Authority is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Authority has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Receivables are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Authority's financial statements for the year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Authority's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to their short term maturity.

Equipment

Equipment is initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	3 years
Computer software	5 years
Equipment	5 years
Furniture and fixtures	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Authority funding from the Province of Manitoba is recognized when earned.

3. EQUIPMENT

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 63,339	$ 29,587	$ 52,099	$ 42,407
Computer software	10,214	6,311	10,214	4,631
Equipment	78,267	36,334	49,619	23,539
Furniture and fixtures	33,330	15,587	19,764	12,397
	$ 185,150	$ 87,819	$ 131,696	$ 82,974
Net book value	$ 97,331		$ 48,722	

During the year ended March 31, 2008, the Authority incurred the following capital expenditures:

	2008	2007
Computer equipment	$ 34,025	$ 9,751
Computer software	-	3,008
Equipment	28,648	18,223
Furniture and fixtures	16,217	2,071
	$ 78,890	$ 33,053

4. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to employees, officers and directors in an amount exceeding $50,000. For the year ended March 31, 2008, the following officers, directors or employees received compensation at reportable levels:

		2008
Rose McKay	Chief Executive Officer	$89,239
Cheryl Freeman	Chief Financial Officer	$83,197
Mare Lands	Implementation Team Manager	$65,869
Shirley Allarie	Senior Manager	$56,492
Mary Werba	Foster Care Recruitment & Retention Officer	$52,816
Theresa Henderson	Education & Training Coordinator	$53,674

5. INTERNALLY RESTRICTED NET ASSETS

The Board approved the following internal restrictions:

	2008	2007
Legal counsel	$ -	$ 88,000
Education and training	-	94,152
Copier replacement	9,270	6,722
Furniture replacement	9,270	6,722
Transitional expenses to Northern location	50,600	50,600
Winnipeg projects	57,339	24,369
Communication strategy	100,000	100,000
Statistical development	100,000	-
Research and development	-	100,000
Agency development work	105,000	-
CME report contract	25,000	-
Executive assistant term position	50,000	-
Furniture, computers and equipment	55,000	-
Repatriation	35,000	-
Joint training unit	79,905	-
Family support innovations	111,723	-
	$ 788,107	$ 470,565

6. EXTERNALLY RESTRICTED NET ASSETS

Externally restricted net assets represents the unspent portion of Transition Grant Funding received from the Province of Manitoba. The grant is to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Northern Authority and to assist Family Service Agencies in extending their operations and have the ability to accept the scheduled transfer of cases.

7. ECONOMIC DEPENDENCE

First Nations of Northern Manitoba Child and Family Services Authority is solely dependent on the Province of Manitoba for revenue to fund its operations.

8. LEASE COMMITMENT

The Authority has entered into a five year lease for one of their premises that expires on January 31, 2012. Under the lease, the Authority is required to pay a base annual rent of $39,963.

To the Directors of First Nations of Southern Manitoba Child and Family Services Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 17, 2008

Daniel Richard, Chief Financial Officer

Auditors' Report

To the Board of Directors of First Nations of Southern Manitoba Child and Family Services Authority:

We have audited the statement of financial position of First Nations of Southern Manitoba Child and Family Services Authority as at March 31, 2008 and the statements of revenues and expenses and the related schedules for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

July 17, 2008

Chartered Accountants

First Nations of Southern Manitoba Child and Family Services Authority

Statement of Financial Position

As at March 31, 2008

	Operating Fund	*Capital Fund*	*Repatriation Fund*	*Total 2008*	*Total 2007*
Assets					
Current					
Cash and short-term deposits *(Note 4)*	876,966	-	-	**876,966**	1,067,556
Accounts receivable	4,707,274	-	-	**4,707,274**	2,075,830
Prepaid expenses and deposits	5,539	-	-	**5,539**	3,978
	5,589,779	-	-	**5,589,779**	3,147,364
Capital Assets *(Note 5)*	-	362,737	-	**362,737**	366,348
Due from Agencies *(Note 6)*	2,084,500	-	-	**2,084,500**	1,338,800
Interfund advances	-	-	248,475	**248,475**	241,240
	7,674,279	362,737	248,475	**8,285,491**	5,093,752
Liabilities					
Current					
Accounts payable and accruals	2,507,591	-	-	**2,507,591**	1,330,302
Deferred revenue *(Note 7)*	334,694	-	-	**334,694**	1,326,881
	2,842,285	-	-	**2,842,285**	2,657,183
Deferred revenue *(Note 7)*	2,396,701	-	-	**2,396,701**	80,916
Due to Province of Manitoba *(Note 6)*	2,084,500	-	-	**2,084,500**	1,338,800
Interfund advances	248,475	-	-	**248,475**	241,240
	7,571,961	-	-	**7,571,961**	4,318,139
Net Assets					
Unrestricted	102,318	-	-	**102,318**	168,025
Invested in Capital Assets	-	362,737	-	**362,737**	366,348
Restricted	-	-	248,475	**248,475**	241,240
	102,318	362,737	248,475	**713,530**	775,613
	7,674,279	362,737	248,475	**8,285,491**	5,093,752

Approved on behalf of the board

Director **Director**

First Nations of Southern Manitoba Child and Family Services Authority

Statement of Revenues and Expenses

For the year ended March 31, 2008

	Revenues	Other Revenues	Expenses	**2008 Excess (Deficiency) of Revenues over Expenses**	2007 Excess (Deficiency) of Revenues over Expenses
Operating Fund *(Schedule 1)*	30,387,542	104,867	(30,422,339)	**70,070**	342,486
Capital Fund *(Schedule 2)*	-	-	(110,598)	**(110,598)**	(92,500)
Repatriation Program *(Schedule 3)*	-	-	(21,555)	**(21,555)**	(82,614)
	30,387,542	104,867	(30,554,492)	**(62,083)**	167,372

The accompanying notes are an integeral part of these financial statements

1. Incorporation and operations

The Authority was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 excerpt section 20; the Act came into force by proclamation on November 24, 2003.

Operations

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Organization is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining balance and straight-line methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. Accounting policies *(Continued from previous page)*

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the First Nations of Southern Manitoba Child and Family Services Authority , the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors. Four funds are maintained Operating Fund, Capital Fund, Repatriation Fund and Repatriation: Aboriginal Healing Foundation Fund.

The Operating Fund is used to account for all revenue and expenditure related to general and ancillary operations of the First Nations of Southern Manitoba Child and Family Services Authority.

The Capital Fund is used to account for all capital assets of the organization and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Repatriation Fund is a restricted fund used to account for monies for specific purposes.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Financial instruments

Held for trading:

The Authority has classified cash and short-term deposits as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Authority has classified accounts receivable and advances as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Authority has classified accounts payable and accruals and due to Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

2. Accounting policies *(Continued from previous page)*

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Comprehensive income (loss)

The Authority does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Change in accounting policies

Financial instruments

During the year, the Authority retroactively adopted new presentation and disclosure requirements with respect to financial instruments. The adoption of the standard resulted in no change to the comparative financial statements.

4. Cash and short-term deposits

Included in cash and short-term deposits are $607,188 (2007 - $250,000) in guaranteed investment certificates bearing interest at 3.00% to 3.25% (2007 - 3.75%) maturing from June 2008 to March 2009.

5. Capital assets

	Cost	*Accumulated amortization*	*2008 Net book value*	*2007 Net book value*
Computer equipment	**513,913**	**294,143**	**219,770**	233,552
Furniture and fixtures	**192,410**	**63,044**	**129,366**	132,798
Leasehold improvements	**15,112**	**1,511**	**13,601**	-
	721,435	**358,698**	**362,737**	366,350

6. Due from Agencies/Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $2,084,50, which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2008	*2007*
Animikii-Ozoson CFS	**406,890**	406,890
Child and Family All Nations Coordinated Response Network	**538,400**	538,400
Dakota Ojibway CFS	**393,510**	393,510
Sandy Bay CFS	**158,700**	-
Southeast CFS	**362,000**	-
West Region CFS	**225,000**	-
	2,084,500	1,338,800

7. Deferred revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenditures are expected to be incurred.

8. Income taxes payable

The Authority is registered as a non-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

9. Commitments

The Authority has entered into various lease agreements with estimated minimum annual payments as follows:

2009	1,287,000
2010	1,287,000
2011	1,287,000
2012	1,248,000
2013	1,235,000

10. Economic dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

11. Statement of cash flows

The statement of cash flows has not been prepared as the source and use of cash is readily apparent from the financial statements.

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 1 - Statement of Operations and Net Assets - Operating Fund

For the year ended March 31, 2008

	2008	2007
Revenues		
Province of Manitoba - Department of Family Services and Housing Division	**30,193,897**	21,811,585
First Nations of Northern Manitoba Child and Family Services Authority	**120,644**	113,850
Centre for Aboriginal Human Resource Development (CAHRD)	**-**	2,509
Other	**73,001**	1,000
	30,387,542	21,928,944
Expenses		
Personnel		
Recruitment	**2,903**	1,050
Salaries, wages and benefits	**987,322**	748,214
Salaries, wages and benefits - CAHRD	**-**	2,509
Training and education	**17,299**	11,872
Travel	**29,218**	24,891
	1,036,742	788,536
Office Operations		
Interest and bank charges	**2,364**	461
Information technology	**169,476**	133,355
Supplies	**37,609**	18,847
Telephone, fax and internet	**22,986**	22,651
	232,435	175,314
Office and Building		
Insurance	**14,274**	15,711
Rent	**118,239**	90,142
	132,513	105,853
Other		
Agency central support	**26,675,805**	19,823,311
Agency family support innovations fund	**253,000**	213,000
Annual meeting	**11,207**	5,204
Board expenses	**19,689**	18,831
Changes for Children costs	**873,788**	-
Common table costs	**293,537**	473,893
Professional fees	**27,316**	9,422
Process costs	**33,472**	35,475
Public relations	**4,536**	629
Standing committee	**16,545**	-
406 Edmonton Street Facility	**811,754**	-
	29,020,649	20,579,765

Continued on next page

Continued from previous page

	2008	*2007*
Transition		
Agency site development	-	30,131
Communication	-	250
Furniture, equipment and supplies	-	23,062
	-	53,443
Other Income		
Interest	**73,579**	100,180
Goods and Service Tax	**21,288**	6,273
Rental	**10,000**	10,000
	104,867	116,453
Excess (deficiency) of revenues over expenses	**70,070**	342,486
Net assets, beginning of year	**168,025**	50,992
Inter-fund transefers	**(135,777)**	(225,453)
Net assets, end of year	**102,318**	168,025

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 2 - Statement of Operations and Net Assets - Capital Fund

For the year ended March 31, 2008

	2008	*2007*
Expenses		
Amortization	**110,598**	92,500
Deficiency of revenues over expenses	**(110,598)**	(92,500)
Net assets, beginning of year	**366,348**	218,491
Inter-fund transefers	**106,987**	240,357
Net assets, end of year	**362,737**	366,348

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 3 - Statement of Operations and Net Assets - Repatriation Fund

For the year ended March 31, 2008

	2008	*2007*
Expenses		
Education and training	-	500
Office	-	25
Salaries, wages and benefits	**21,555**	81,016
Travel and entertainment	-	1,073
Deficiency of revenues over expenses	**(21,555)**	(82,614)
Net assets, beginning of year	**241,240**	338,758
Inter-fund transefers	**28,790**	(14,904)
Net assets, end of year	**248,475**	241,240

AUDITORS' REPORT

To the Board of Directors of
The General Child and Family Services Authority

We have audited the statement of financial position of the General Child and Family Services Authority as at March 31, 2008 and the statements of revenues and expenses, fund balances and cash flow for the year then ended. These financial statements are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

July 22, 2008

CHARTERED ACCOUNTANTS

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	TOTAL 2008	TOTAL 2007
ASSETS					
CURRENT ASSETS					
Cash	$ 248,826	$ -	$ -	$ 248,826	$ 103,525
Accounts receivable	623,489	-	65,759	689,248	180,644
Prepaid expenses	5,575	-	-	5,575	4,007
Interfund balances	(5,111)	5,111	-	-	-
	872,779	5,111	65,759	943,649	288,176
CAPITAL ASSETS (Note 4)	-	65,834	-	65,834	48,871
	$ 872,779	$ 70,945	$ 65,759	$ 1,009,483	$ 337,047
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 56,888	$ -	$ 65,759	$ 122,647	$ 44,534
Deferred contributions (Note 5)	378,647	5,111	-	383,758	104,510
	435,535	5,111	65,759	506,405	149,044
DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS (Note 5)	-	65,834	-	65,834	48,871
FUND BALANCES	437,244	-	-	437,244	139,132
	$ 872,779	$ 70,945	$ 65,759	$ 1,009,483	$ 337,047

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2008

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2008	2007
REVENUE					
Province of Manitoba					
Operating grant	$ 839,349	$ -	$ -	$ 839,349	$ 643,117
Transition grant (Note 5(ii))	-	12,037	-	12,037	24,516
Transition grant relating to capital assets (Note 5(iii))	-	20,399	-	20,399	14,744
Agency grants (Note 6)	-	-	7,322,109	7,322,109	6,366,100
Miscellaneous grants	643,871	-	-	643,871	120,614
Interest and other	4,234	1,936	-	6,170	1,993
	1,487,454	34,372	7,322,109	8,843,935	7,171,084
EXPENSES					
Agency allocations (Note 6)	-	-	7,322,109	7,322,109	6,366,100
Amortization	-	20,399	-	20,399	14,744
Board expenses and meetings	5,865	-	-	5,865	6,282
Insurance	993	-	-	993	2,970
Interest and bank charges	479	-	-	479	371
Miscellaneous grant expenses	64,605	-	-	64,605	116,432
Office and miscellaneous	199,265	13,973	-	213,238	18,104
Professional services	27,034	-	-	27,034	64,531
Rent	46,679	-	-	46,679	34,709
Telephone	12,050	-	-	12,050	8,613
Training	132,668	-	-	132,668	1,249
Travel	19,795	-	-	19,795	6,973
Wages and benefits	679,909	-	-	679,909	433,230
	1,189,342	34,372	7,322,109	8,545,823	7,074,308
EXCESS OF REVENUE OVER EXPENSES	$ 298,112	$ -	$ -	$ 298,112	$ 96,776

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2008

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2008	2007
Balance, beginning of year	$ 139,132	$ -	$ -	$ 139,132	$ 42,356
Excess of revenue over expenses	298,112	-	-	298,112	96,776
Balance, end of year	$ 437,244	$ -	$ -	$ 437,244	$ 139,132

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 298,112	$ 96,776
Adjustments for		
Amortization	20,399	14,744
Recognition of deferred contributions	(146,192)	(39,892)
Amortization of deferred contributions relating to capital assets	(20,399)	(14,744)
	151,920	56,884
Changes in the following		
Accounts receivable	(508,604)	161,523
Prepaid expenses	(1,568)	(657)
Accounts payable and accrued liabilities	78,110	(261,503)
	(280,142)	(43,753)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(37,359)	(18,399)
Receipt of deferred contributions	462,802	-
	425,443	(18,399)
CHANGE IN CASH	145,301	(62,152)
CASH, beginning of year	103,525	165,677
CASH, end of year	$ 248,826	$ 103,525

1. ORGANIZATION

The General Child and Family Services Authority (the "Authority") was established November 24, 2003 under The Child and Family Services Authorities Act. The authority is a non-profit organization responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Service, Churchill Child and Family Services, Winnipeg Child and Family Services Branch and Rural and Northern Services Branch (Interlake, Eastman, Parkland, Northern).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

(a) Fund accounting

The authority records its activities in the following funds:

(i) Operating fund

This fund accounts for the activity relating to the principal activity of the authority (Note 1).

(ii) Transition fund

The Province of Manitoba has provided one-time transition funding in support of the restructuring of the child and family services system, as initiated under the Aboriginal Justice Inquiry - Child Welfare Initiative. Funding is to be used to support the resource transfer process and the development of the corporate infrastructure of the authority and mandated child and family services agencies under the jurisdiction of the authority. The resource transfer process involves the transfer of cases from agencies under the jurisdiction of the authority to the Metis Child and Family Services Authority, Northern First Nations Child and Family Services Authority, and First Nations of Southern Manitoba Child and Family Services Authority. All contributions to this fund are externally restricted for this purpose.

(iii) Agency fund

The Province of Manitoba provides the authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of The Child and Family Services Authorities Act, the authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the authority (excluding child maintenance), while government offices receive funding directly from the government based on the approval of allocations by the authority. All contributions to this fund are externally restricted for this purpose.

(b) Revenue recognition

The authority follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable.

Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

	Rate	Method
Computer software	3 years	Straight line
Furniture and fixtures	5 years	Straight line
Leaseholds	5 years	Straight line

(d) Income taxes

The authority is a non-profit entity and is exempt from income taxes.

(e) Financial instruments - recognition and measurement

Transaction costs are expensed as incurred for financial instruments designated as held for trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost.

Loans and Receivables, Held-to-maturity investments and Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. The authority has designated accounts receivable and goods as Loans and Receivables and accounts payable and accrued liabilities as Other financial liabilities. The authority does not have any financial instruments designated as Held-to-maturity Investments.

Available-for-sale Financial Assets are initially and subsequently recorded at fair value, except for equity instruments that do not have a quoted market price in an active market as they are recorded at cost. Gains and losses resulting from revaluation are recognized directly in net assets. Impairment write-downs are included in net earnings for the period. The authority does not have any financial instruments designated as Available-for-sale Financial Assets.

Held-for-trading financial instruments include cash and are initially and subsequently recorded at fair value. Gains or losses on revaluation are included in net earnings for the period.

(f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

FINANCIAL INSTRUMENTS

On April 1, 2007, the authority prospectively adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(a) Financial Instruments - Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the authority becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the financial instrument's classification.

- Financial assets Held-to-maturity, Loans and Receivables, and Other financial liabilities are measured at amortized cost using the effective interest method of amortization. Gains and losses are recorded in earnings when the assets are derecognized or impaired, and through the amortization process.
- Available-for-sale financial assets are measured at fair value with gains and losses recognized directly in net assets, except for impairment losses.
- Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in earnings and are included in the category "fair value through earnings." Derivative instruments are classified as fair value through earnings, including those derivatives that are embedded in financial or non-financial contracts and are not closely related to the host contacts.

The application of the above standards did not result in adjustment in these financial statements.

(b) Hedges

Section 3865 established criteria that must be satisfied in order for hedge accounting to be applied. It sets standards for the identification, designation, documentation and effectiveness of hedging relationships for the following hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposure of net investment in a self-sustaining foreign operation. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses from effective hedging relationships are recorded in earnings in the same period. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The authority does not participate in hedging strategies and therefore did not have any gains, losses, revenues and expenses related to hedging relationships recorded in earnings for the period.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Computer software	$ 8,424	$ 2,571	$ 5,853	$ 78
Furniture and fixtures	38,496	12,779	25,717	15,883
Leaseholds	72,427	38,163	34,264	32,910
	$ 119,347	$ 53,513	$ 65,834	$ 48,871

5. DEFERRED CONTRIBUTIONS

Deferred contributions in the operating fund relate to various grants from the Province of Manitoba and the Children's Aid Foundation. The balance continuities are as follows:

(i) Deferred contributions

	2008	2007
Beginning balance	$ 50,000	$ 65,376
Add contributions:		
Province of Manitoba	454,400	-
Children's Aid Foundation	8,402	-
	512,802	65,376
Less: amounts amortized to revenue	134,155	15,376
Ending balance	$ 378,647	$ 50,000

Deferred contributions in the transition fund relate to a one-time grant from the Province of Manitoba for transition funding. The balance continuities are as follows:

(ii) Deferred contributions

	2008	2007
Beginning balance	$ 54,510	$ 97,428
Less - amounts transfered from deferred contributions to capital assets (note 5(iii))	37,362	-
- amounts recognized as revenue in the year	12,037	42,918
Ending balance	$ 5,111	$ 54,510

(iii) Deferred contributions relating to capital assets

	2008	2007
Beginning balance	$ 48,871	$ 45,214
Add contributions:		
Amounts transfered from deferred contributions (note 5(ii))	37,362	18,401
	86,233	63,615
Less: amounts amortized to revenue	20,399	14,744
Ending balance	$ 65,834	$ 48,871

6. AGENCY GRANTS

The authority received funding from the Province of Manitoba in the amount of $7,322,109 (2007 - $6,366,100) to be allocated to the agencies under its jurisdiction. The Agency grants were allocated as follows:

	Child and Family Services Division			
Agency	Child Protection Branch	Strategic Initiatives Branch	Total 2008	Total 2007
Child and Family Services of Central Manitoba	$ 2,675,659	$ -	$ 2,675,659	$ 2,400,500
Child and Family Services of Western Manitoba	4,402,550	-	4,402,550	3,727,500
Jewish Child and Family Services	232,600	-	232,600	227,100
Churchill Regional Health Authority	11,300	-	11,300	11,000
Total	$ 7,322,109	$ -	$ 7,322,109	$ 6,366,100

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the authority.

7. FINANCIAL INSTRUMENTS

(i) Risk management and hedging activities

In the normal course of operations the authority is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The authority does not meaningfully participate in the use of financial instruments to control these risks. The authority has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(a) Currency risk
The authority does not hold any significant assets or liabilities denominated in a foreign currency.

(b) Market risk
The authority is not exposed to any meaningful market risk.

(c) Credit risk
The authority is exposed to credit risk on accounts receivable. Management monitors credit exposure on a specific creditor basis and the majority of the accounts receivable are from the Province of Manitoba resulting in minimal credit risk.

(d) Liquidity risk
Management monitors the authority's liquidity and is of the opinion that it is unlikely that the authority will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(e) Interest rate risk
The authority is not exposed to any meaningful interest rate risk.

(ii) Fair values

The fair values of the authority's financial instruments approximate their carrying value.

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, $8 of remuneration or other benefits were paid to board members during the year.

The Public Sector Compensation Disclosure Act also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2008	2007
Jay Rodgers	Chief Executive Officer	$ 99	$ -
Dale Robinson	Chief Financial Officer	86	72
Jeanette Grennier	Program Specialist - Child in Care	71	-
Colette MacPherson	Hotel Reduction Strategy Resource Development	68	-
Laura Morton	Resource Development Specialist	68	-
Patricia Wawyn	Community Inquiry Specialist	67	65
Anne Pratt	Senior Administrative Assistant	51	-
Pamela Zorn	Training Coordinator	51	-
Dennis Schellenberg	Chief Executive Officer	-	95
Diva Faria	Child Protection and Family Services Specialist	-	65

HELEN BETTY OSBORNE MEMORIAL FOUNDATION

HELEN BETTY OSBORNE MEMORIAL FOUNDATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Helen Betty Osborne Memorial Foundation are the responsibility of the Board of Trustees and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board of Trustees' opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating the Board's best judgment regarding all necessary estimates and all other data available up to June 6, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Trustees maintain internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General of Manitoba is to express an independent, professional opinion on whether the financial statements of Helen Betty Osborne Memorial Foundation are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of the Board of Trustees,

Diane Carriere
Chairperson
Helen Betty Osborne Memorial Foundation

June 6, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba and
To the Board of Trustees of the Helen Betty Osborne Memorial Foundation

We have audited the statement of financial position of The Helen Betty Osborne Memorial Foundation as at March 31, 2008, and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives funds from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets at the end of the year.

In our opinion, except for the effects of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008, and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
June 6, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2008	Total 2007
ASSETS					
CURRENT ASSETS					
Cash and bank	$ (793)	21,940	49,285	70,432	43,867
Short-term investments	-	-	208,215	208,215	200,129
Accrued interest receivable	-	1,274	-	1,274	1,305
Accounts receivable	1,667	-	-	1,667	2,961
	$ 874	23,214	257,500	281,588	248,262
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ -	-	-	-	4,294
Deferred contributions (Note 3)	-	23,214	-	23,214	33,105
	-	23,214	-	23,214	37,399
NET ASSETS					
Endowment	-	-	257,500	257,500	207,500
Unrestricted	874	-	-	874	3,363
	874	-	257,500	258,374	210,863
	$ 874	23,214	257,500	281,588	248,262

APPROVED BY THE BOARD:

_____ **Director**

_____ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2008	Total 2007
REVENUE					
Donations	$ 74,466	-	-	74,466	89,583
Investment income (Note 4)	-	8,056	-	8,056	6,950
Restricted contributions (Note 5)					
Bursaries and scholarships	-	53,600	-	53,600	20,000
Project	-	15,962	-	15,962	8,995
	74,466	77,618	-	152,084	125,528
EXPENSES					
Bursaries and scholarships	-	77,000	-	77,000	44,000
Fundraising	61,310	-	-	61,310	83,605
Project	-	16,263	-	16,263	8,995
	61,310	93,263	-	154,573	136,600
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	13,156	(15,645)	-	(2,489)	(11,072)
NET ASSETS, BEGINNING OF YEAR	3,363	-	207,500	210,863	171,935
Endowment fund contribution	-	-	50,000	50,000	50,000
Inter-fund transfers	(15,645)	15,645	-	-	-
NET ASSETS, END OF YEAR	$ 874	-	257,500	258,374	210,863

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2008

	2008	2007
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ (2,489)	(11,072)
Endowment fund contribution	50,000	50,000
	47,511	38,928
Change in non-cash working capital:		
Accrued interest receivable	31	(289)
Accounts receivable	1,294	(2,961)
Accounts payable and accrued liabilities	(4,294)	4,294
Deferred contributions	(9,891)	33,105
	34,651	73,077
FINANCING AND INVESTING ACTIVITIES		
Investments	(8,086)	(36,660)
INCREASE IN CASH	26,565	36,417
CASH, BEGINNING OF YEAR	43,867	7,450
CASH, END OF YEAR	$ 70,432	43,867
ADDITIONAL INFORMATION:		
Interest received	$ 8,087	6,661

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

1. ACCOUNTING ENTITY

The Helen Betty Osborne Memorial Foundation is incorporated under The Helen Betty Osborne Memorial Foundation Act, which received royal assent on December 15, 2000. The Foundation is a registered charitable organization exempt from income taxes under the provisions of the Income Tax Act of Canada.

The legislated purpose of the Foundation is to receive donations of real and personal property, including cash; to provide financial assistance to aboriginal persons residing in Manitoba who are enrolled in post secondary studies in Manitoba; and to promote the memory of Helen Betty Osborne.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Revenue Recognition

The Foundation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Investment income earned is restricted for bursary or scholarship purposes and is recognized on a time proportionate basis.

(c) Fund Accounting

The Regulation of The Helen Betty Osborne Memorial Foundation Act directs that scholarships, bursaries and grants may be paid from the fund as long as the fund will contain at least $57,500 after the capital in question has been withdrawn from the fund. If the fund contains less than $57,500, the Foundation may only provide scholarships, bursaries and grants using income earned from the fund. The Foundation maintains the following funds:

- The Unrestricted Fund, which reports the general activities of the foundation, including administration.
- The Restricted Fund, which reports the revenues and expenses related to bursaries and scholarships and other special projects.
- The Endowment Fund, which reports the investments and grants received is subject to externally imposed restrictions stipulating that the resources be maintained permanently.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) New Accounting Policies

Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information.

Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Foundation's financial statements for the year ended March 31, 2008.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Foundation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Foundation has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Foundation's financial statements for the year ended March 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments

The Foundation's financial instruments consist of cash, outstanding deposits, accrued interest, accounts receivable, and accounts payable.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accrued interest, accounts receivable, and accounts payable approximates their carrying values due to their short-term maturity.

(f) Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

(g) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

(h) Donated Services

The Foundation is economically dependent on the Province of Manitoba. No amount has been reflected in the financial statements for the Foundation's audit fees, certain expenses of trustees and other administrative services provided by the Province of Manitoba.

(i) Donations in Kind

Various individuals or organizations donate items that are used in the fundraising activities of the Helen Betty Osborne Memorial Foundation. These donations in kind have been included in the revenues and expenses where the fair value can be reasonably estimated.

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for scholarship or bursary purposes or other externally funded projects. Changes in the deferred contributions balance are as follows:

	2008	2007
Balance, beginning of year	$ 33,105	-
Add: Investment revenue restricted for scholarship purposes	8,056	6,950
Restricted contributions		
Bursaries and scholarships (Note 7)	53,600	20,000
Project (Note 5)	6,071	42,100
Subtotal	100,832	69,050
Deduct current year:		
Amounts recognized as restricted contributions		
Bursaries and scholarships	53,600	20,000
Project	15,962	8,995
Amounts recognized as investment income	8,056	6,950
Balance, end of year	$ 23,214	33,105

4. INVESTMENT INCOME

	2008	2007
Total investment income recognized as revenue	$ 8,056	6,950

5. EXTERNALLY FUNDED RESTRICTED PROJECT

During the year ended March 31, 2008, the Foundation continued a project in the memory of Helen Betty Osborne. The funding for this specific project is to come from external parties who have placed specific restrictions on the use of the funds for that purpose. In addition, there are requirements on the Foundation to report results to the external funders.

Additionally, the amount of $6,071 was received during the fiscal year ended March 31, 2008 from one external funder and an additional $1,429 will be received in the next fiscal year upon further expenses being incurred.

6. CONTRACTUAL COMMITMENTS

During March 31, 2008, the Foundation has entered into a contractual arrangement with Planners Plus to organize four separate events, which include the November 2007 awards dinner, two breakfast events to be held in 2008 and the May 2008 Gala Dinner. A commitment of $9,800 exists under this arrangement for the 2009 fiscal year.

During March 31, 2008, the Foundation also entered into a contractual arrangement with David Robertson to provide writing and print-related services in the development of a graphic novel. An amount of $3,040 is to be paid under the arrangement in the next fiscal year.

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

7. FUNDING COMMITMENT RESTRICTED TO SPECIFIC BURSARIES

During the fiscal year ended March 31, 2007, the Department of Aboriginal & Northern Affairs provided a funding commitment of $20,000 per year for three years to be used for Engineering related bursaries and scholarships according to certain criteria. An amount of $20,000 was received for March 31, 2008, and a further $20,000 will be received over the next fiscal year.

During the fiscal year ended March 31, 2008, the Government of Canada provided a funding commitment of $26,100 to be used for bursaries and scholarships and $2,900 to be used for administration. An amount of $26,100 was received for March 31, 2008 and a hold back amount of $2,900 will be received in the next fiscal year upon the completion of final reports.

During March 31, 2008, the Manitoba Metis Federation provided a funding commitment of $7,500 to be used for bursaries and scholarships.

8. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

The requirement under the Public Sector Compensation Disclosure Act for an annual public disclosure be made of individual compensation in an amount exceeding $50,000 annually to any officer or employee of the Foundation is not necessary. All staff, Trustees and the Chairperson to the Board of Trustees are volunteers and receive no compensation for their services.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Members of
INSURANCE COUNCIL OF MANITOBA

We have audited the statement of financial position of INSURANCE COUNCIL OF MANITOBA as at March 31, 2008 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 16, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and bank	$ 35,923	$ 110,148
Short-term investments (Note 4)	236,862	7,599
Accounts receivable	-	1,145
Interest receivable	42,726	29,496
Prepaid expenses	14,625	16,336
	330,136	164,724
Long-term investments (Note 5)	787,290	755,293
Capital assets (Note 7)	34,203	34,721
	$ 1,151,629	$ 954,738
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 23,367	$ 49,278
Deferred revenue	152,905	138,544
	176,272	187,822
Net Assets		
Information Technology Reserve (Note 8)	100,000	60,000
Unrestricted net assets	875,357	706,916
	975,357	766,916
	$ 1,151,629	$ 954,738

On behalf of the Council:

_____ Member

_____ Member

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Changes in Net Assets

For the year ended March 31	2008	2007
Revenue		
Licences (Note 6)	$ 690,105	$ 645,678
Other	65,841	43,598
Interest income	48,579	37,267
Examinations	45,397	47,592
Change in market value of investments	5,024	-
	854,946	774,135
Expenses		
Advertising, dues and subscriptions	4,569	4,289
Amortization	10,877	11,465
Bad debts	7,500	-
Bank charges and interest	618	468
Computer consulting fees	37,750	24,765
Conference	9,924	-
Council	24,375	18,382
Equipment leases	6,317	5,123
Insurance	10,564	10,843
Meetings and travel	23,301	31,120
Office and equipment rental	23,466	26,350
Postage and courier	16,531	7,449
Professional fees	32,133	63,303
Recruiting	15,440	-
Rent	60,610	63,044
Salaries and benefits	359,530	375,397
Telephone	7,660	7,650
Training	1,251	5,316
	652,416	654,964
Excess of revenues over expenses for the year	202,530	119,171
Net assets, beginning of year	706,916	587,745
Change in accounting policy (Note 2)	5,911	-
Transfer to Information Technology Reserve (Note 8)	(40,000)	-
Net assets, end of year	$ 875,357	$ 706,916

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 202,530	$ 119,171
Amortization	10,877	11,465
Change in fair value of investments held for trading	(5,024)	-
Changes in non-cash working capital balances		
Accounts receivable	1,145	1,796
Interest receivable	(13,230)	(15,866)
Prepaid expenses	1,711	(8,150)
Accounts payable and accrued liabilities	(25,911)	2,543
Deferred revenue	14,361	12,230
	186,459	123,189
Cash Flows from Investing Activities		
Purchase of capital assets	(10,359)	(8,490)
Proceeds on sale of investments	276,192	90,000
Purchase of investments	(297,254)	(221,618)
	(31,421)	(140,108)
Increase (decrease) in cash and cash equivalents for the year	155,038	(16,919)
Cash and cash equivalents beginning of year	117,747	134,666
Cash and cash equivalents end of year	$ 272,785	$ 117,747
Represented by		
Cash and bank	$ 35,923	$ 110,148
Short-term investments	236,862	7,599
	$ 272,785	$ 117,747

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Summary of Significant Accounting Policies

March 31, 2008

Financial Instruments

The Council's financial instruments consist of cash, accounts receivable, short-term investments, long-term investments and accounts payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis except for investments which are recorded on a trade date basis.

The Council classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Council's accounting policy for each category is as follows:

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-for-trading - This category is comprised of certain investments in equity and debt instruments. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred. The fair value of bonds are determined by reference to published price quotations in the active market.

Other Financial Liabilities - Other financial liabilities include trade accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

INSURANCE COUNCIL OF MANITOBA
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Furniture and fixtures	20 % diminishing balance basis
Computer hardware	30 % diminishing balance basis
Computer software	30 % diminishing balance basis

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Revenue Recognition

License fees are recognized as income over the term of the license period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

1. Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

2. Change in Accounting Policy

On April 1, 2007, the Council retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

In accordance with the provisions of these new standards, the Council's financial statements reflect an increase in long-term investments and an increase in unrestricted net assets of $5,911 as of April 1, 2007.

3. Employee Benefits

The Council matches employee RRSP contributions. Employees may contribute up to 5.1 percent on the first $35,400 of earnings and up to 7 percent on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSP's for the year ended March 31, 2008 were $16,495 ($16,894 in 2007).

4. Short-term Investments

	2008	2007
Bank of Montreal Money Market Fund	$ 236,862	$ 7,599

The fair value of the short-term investment approximates the carrying value.

5. Long-term Investments

	2008 Fair Value	2007 Fair Value
Province of Manitoba Portfolio Allocation Notes, Series 1	$ 30,479	$ 34,161
Manitoba Builder Bonds, 3.80%, due June 15, 2007	-	149,813
Montreal Trust GIC, 4.00%, due August 1, 2007	-	30,632
Equitable Trust GIC, 3.70%, due September 20, 2007	-	20,375
Equitable Trust GIC, 3.75%, due September 14, 2007	-	20,611
Home Trust Company GIC, 3.70%, due October 22, 2007	-	55,797
Manitoba Builder Bonds, 3.25%, due June 15, 2008	49,910	54,684
Manitoba Builder Bonds, 4.25%, due June 15, 2008	59,844	49,356
Maple Trust GIC, 4.20%, due March 10, 2009	35,063	34,998
Canadian Western Bank GIC, 4.45%, due August 4, 2009	30,029	29,990
AGF Trust Company GIC, 4.89%, due August 4, 2009	32,253	-
AGF Trust Company GIC, 4.175%, due October 20, 2009	62,948	62,684
Manitoba Builder Bonds, 3.70%, due June 15, 2010	102,685	98,384
Manitoba Builder Bonds, 4.60%, due June 15, 2010	161,412	-
Wells Fargo Fin Canada, 3.60%, due June 28, 2010	42,549	-
Manitoba Hydro Bonds 4.35%, due June 15, 2011	49,944	50,000
AGF Trust Company GIC, 4.82%, due November 7, 2011	60,663	-
Bank of Montreal GIC, 4.50%, due June 14, 2012	69,511	69,719
	$ 787,290	$ 761,204

The investments are classified as held for trading and are recorded at fair market value. The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

6. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba (OSIM) levy fees on members. The Council acts as agent and remits 44 percent of license and other fees and 15 percent of examination fees to the OSIM. These amounts are not included in the financial statements. In 2008, this amount is $597,609 ($549,918 in 2007).

Included in accounts payable and accrued liabilities is $nil ($32,083 in 2007) payable to OSIM.

7. Capital Assets

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 91,551	$ 82,486	$ 9,065	$ 87,479	$ 79,474	$ 8,005
Furniture & fixtures	48,252	39,056	9,196	47,354	36,870	10,484
Computer hardware	98,497	82,555	15,942	93,109	76,877	16,232
	$ 238,300	$ 204,097	$ 34,203	$ 227,942	$ 193,221	$ 34,721

8. Transfer to Information Technology Reserve

In 2008, the Council adopted a motion to internally restrict an additional $40,000 of accumulated net assets into the Information Technology Reserve. The reserve is accumulating for the use for future upgrades to the Council's information technology system.

	2008	2007
Information Technology Reserve, beginning of year	$ 60,000	$ 60,000
Change in internally restricted funds	40,000	-
Information Technology Reserve, end of year	$ 100,000	$ 60,000

9. Commitments

The Council leases equipment and office premises under the provisions of operating leases which expire up to November 2011. Commitments to expiry are as follows:

2009	$	70,891
2010		70,371
2011		26,407

10. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the balance sheet of Legal Aid Manitoba as at March 31, 2008 and the statements of revenue and expense, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of Legal Aid Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2008 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 21, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

LEGAL AID MANITOBA

Balance Sheet
as at March 31

ASSETS	2008	2007
Current Assets		
Cash	$ 1,804,400	$ 2,086,968
Client accounts receivable, net (Note 3)	150,956	183,081
Receivable from the Province of Manitoba	5,918,000	4,100,000
Receivable from the Government of Canada	148,797	324,834
Other receivables, net (Note 4)	66,711	82,061
Prepaid expenses	202,152	263,744
	8,291,016	7,040,688
Capital Assets (Note 5)	346,743	351,475
Long-term receivable - charges on land, net (Note 6)	726,238	757,005
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	12,063,756	11,051,780
	$ 22,143,919	$ 19,917,114

LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 4,351,454	$ 4,292,301
Accrued vacation pay	892,488	846,747
Deferred revenue from clients	421,058	408,548
	5,665,000	5,547,596
Severance liability (Note 8)	1,533,709	1,435,200
Provision for employee pension benefits (Note 14)	12,063,756	11,051,780
	13,597,465	12,486,980
Net Assets		
Invested in Capital Assets	346,743	351,475
Restricted Net Assets	78,559	91,107
Unrestricted Net Assets	2,456,152	1,439,956
	2,881,454	1,882,538
	$ 22,143,919	$ 19,917,114

Approved by the Council

_____ Chairperson

_____ Council Member

LEGAL AID MANITOBA

Statement of Revenue and Expense
for the year ended March 31

	2008	2007
Revenue		
Province of Manitoba (Note 9)	$ 20,750,223	$ 20,677,425
Manitoba Law Foundation (Note 10)	3,290,634	1,493,901
Contributions from clients	850,293	838,954
Recoveries from third parties	435,517	273,784
Government of Canada	15,775	246,140
Judgment costs and settlements	89,580	102,722
Interest income	69,470	46,873
Other	8,723	3,087
	$ 25,510,215	$ 23,682,886
Expense		
Private bar fees and disbursements (Note 13)		
Legal aid certificates	$ 7,941,564	$ 7,481,994
Duty counsel services	696,933	295,686
Transcripts	77,487	81,383
	8,715,984	7,859,063
Community Law Centres, Schedule 1	10,199,725	9,546,499
Public Interest Law Centre, Schedule 1	642,314	565,327
University Law Centre, Schedule 1	103,017	96,663
General and Administrative, Schedule 1	4,850,259	5,049,831
	$ 24,511,299	$ 23,117,383
Excess of Revenue over Expense	$ 998,916	$ 565,503

LEGAL AID MANITOBA

Statement of Changes in Net Assets
for the year ended March 31

	2008				2007
	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 351,475	$ 91,107	$ 1,439,956	$ 1,882,538	$ 1,317,035
Restricted Net Assets Expenses	-	(12,548)	12,548	-	-
Excess of Revenue over Expense	(86,665)	-	1,085,581	998,916	565,503
Capital Asset Additions	81,933	-	(81,933)	-	-
BALANCE, END OF YEAR	$ 346,743	$ 78,559	$ 2,456,152	$ 2,881,454	$ 1,882,538

LEGAL AID MANITOBA

Statement of Cash Flow
for the year ended March 31

	2008	2007
Cash Flow Provided by (Used In) Operating Activities:		
Excess of Revenue over Expense	$ 998,916	$ 565,503
Add items not affecting cash:		
Amortization	86,665	107,123
Bad debt expense	138,105	207,773
Changes in working capital:		
Client accounts receivable	(62,532)	(80,731)
Province of Manitoba receivable	(1,818,000)	165,000
Government of Canada receivable	176,037	(55,226)
Other receivables	(58,867)	(98,357)
Prepaid expenses	61,592	21,497
Accounts payable and accrued vacation pay	104,894	(183,882)
Deferred revenue	12,510	(5,341)
	(360,680)	643,359
Cash Flow Provided by (Used In) Financing Activities		
Charges on land	61,536	3,495
Long-term funding commitments - pension	(1,011,976)	(1,028,751)
Severance liability	98,509	199,473
Provision for employee pension benefits	1,011,976	1,028,751
	160,045	202,968
Cash Flow Provided by (Used In) Investing Activities		
Purchase of capital assets	(81,933)	(227,541)
	(81,933)	(227,541)
Net Increase (Decrease) in Cash for the Year	(282,568)	618,786
Cash - Beginning of Year	2,086,968	1,468,182
Cash - End of Year	$ 1,804,400	$ 2,086,968

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

a) Providing quality legal advice and representation to eligible low-income individuals;

b) Administering the delivery of legal aid in a cost-effective and efficient manner; and

c) Providing advice to the minister on legal aid generally and on the specific legal needs of low income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) General

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) New Accounting Policies

Effective April 1, 2007 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Corporation has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how

financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings or directly to unrestricted net assets, respectively. All other financial instruments are subsequently measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the redeemable nature of this financial asset, carrying value is considered to be fair value.

Client accounts receivables, receivable from the Province of Manitoba, receivable from the Government of Canada, other receivables, long-term receivable from Province of Manitoba – severance, long-term receivable from Province of Manitoba – pension and long-term receivable – charges on land are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued vacation pay are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

c) Financial Instruments

The Corporation's financial instruments consist of cash, client accounts receivables, receivable from the Province of Manitoba, receivable from the Government of Canada, other receivables, long-term receivable from Province of Manitoba – severance, long-term receivable from Province of Manitoba – pension and long-term receivable - charges on land and accounts payable and accrued liabilities.

The fair values of the client accounts receivable, receivable from the Province of Manitoba, receivable from the Government of Canada, other receivables and accounts payable and accrued vacation pay approximates their carrying values due

to their short-term maturity.

The fair value of the long-term receivable from the Province of Manitoba severance approximates its carrying value as the receivable includes an interest component as described in Note 7.

The fair value of the long-term receivable from the Province of Manitoba – pension approximates its carrying value as the receivable includes an interest component as described in Note 14.

It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to the Corporation, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Corporation's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

f) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated

and collection is reasonably assured.

g) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Corporation based on the clients' ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the legal aid certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case up to a maximum of $250. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land

Charges on Land are registered under Section 17 of the The Corporation Act in a Land Titles Office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

h) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

i) Capital Assets

Capital Assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment - 10 years
- Computer hardware and software - 4 years
- Leasehold improvements - over the term of the lease

Work in progress assets are not amortized until the asset is available to be put into service.

j) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Civil Service Superannuation Plan is a defined benefit pension plan. Legal Aid Manitoba is a non-matching employer. Under provisions of the Civil Service Superannuation Act non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment needed is recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

3. Client Accounts Receivable, net

	2008	2007
Agreements to Pay	$ 57,281	$ 71,885
Expanded Eligibility	364,395	404,849
	421,676	476,734
Less: Allowance for Doubtful Accounts	270,720	293,653
Clients Accounts Receivable, net	$ 150,956	$ 183,081

4. Other Receivables, net

	2008	2007
Court Costs	$ 233,624	$ 239,634
Child and Family Services Agencies	11,304	7,908
Employment and Income Assistance	22,618	10,211
Employee Advances, GST Recoverable and Miscellaneous	28,883	59,401
	296,429	317,154
Less: Allowance for Doubtful Accounts	229,718	235,093
Other Receivables, net	$ 66,711	$ 82,061

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 218,728	$ 69,430	$ 160,183	$ 50,485
Computer hardware and software	198,559	111,732	198,599	76,052
Leasehold improvements	274,253	168,140	258,329	139,100
Work in Progress	7,475	-	-	-
	$ 699,015	$ 349,302	$ 617,112	$ 265,637
Net Book Value		$ 349,713		$ 351,475

6. Charges on Land, net

	2008	2007
Charges on Land	$ 1,452,475	$ 1,514,911
Less: Allowance for Doubtful Accounts	726,237	757,906
Charges on Land, net	$ 726,238	$ 757,005

7. Long-term Receivable – Severance Benefits

The amount recorded as a receivable from the Province for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

8. Severance Liability

Effective April 1, 1998, Legal Aid commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2007 by Ellement & Ellement Ltd., Consulting Actuaries. The report provides a formula to update the liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

9. Revenue from the Province of Manitoba

	2008	2007
Grant	$ 11,541,814	$ 11,422,994
Salaries and other payments	8,322,630	8,363,627
Health and post secondary education tax levy	171,777	175,532
Employer portion of employee benefits	714,002	715,272
	$ 20,750,223	$ 20,677,425

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from the Manitoba Law Foundation

	2008	2007
Statutory Grant	$ 3,021,134	$ 1,268,901
Public Interest Law Centre	180,000	150,000
University Law Centre	89,500	75,000
	$ 3,290,634	$ 1,493,901

A statutory grant, pursuant to subsection 90(1) of The Legal Profession Act, is received annually from The Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to the Corporation, the Act provides for pro-rata sharing of the net interest.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 90(4) of The Legal Profession Act. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2008, there were no funds remaining from these grants.

11. Commitments

i) Lease

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2009	$ 671,043
2010	667,675
2011	626,125
2012	410,452
2013	59,325
Thereafter	
	$ 2,434,620

ii) Private Bar

Estimated total commitments for future billings on outstanding legal aid certificates amount to $1,550,000 as at March 31, 2008 (2007 - $ 1,403,000).

12. Related Parties Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

13. Private Bar Fees and Disbursements

	Fees	Disbursements	2008 Total	2007 Total
Legal Aid Certificates	$7,599,556	$342,008	$7,941,564	$ 7,481,994
Duty Counsel	696,933	-	696,933	295,686
Transcripts	-	77,487	77,487	81,383
Total	$8,296,489	$419,495	$ 8,715,984	$ 7,859,063

The Management Council declared a hold back holiday for all certificates processed during the fiscal year April 1, 2007 to March 31, 2008. Certificates issued in this fiscal year were not subject to a hold back.

14. Provision for Employee Pension Benefits

Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being estimated by a formula provided by the actuary. The most recent valuation was completed as at December 31, 2004 by Ellement & Ellement Ltd., Consulting Actuaries.

		2008		2007
Balance at beginning of year	$	11,051,780	$	10,023,029
Benefits accrued		532,517		539,168
Interest accrued on benefits		763,939		719,082
Benefits paid		(284,480)		(229,499)
Balance at end of year	$	12,063,756	$	11,051,780

The key actuarial assumptions were a rate of return of 6.50% (2001 - 6.75%), 2.50% inflation (2001 - 2.75%), salary rate increases of 4.25% (2001 - 4.5%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2008 using a formula provided by the actuary.

The Province has accepted responsibility for the funding of the Corporation's pension liability and related expense which includes an interest component. The Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability $12,063,756 (2007 - $11,051,780), and has

recorded revenue for 2007/08 equal to its pension expense of $1,011,976 (2007 - $1,028,751). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

15. Restricted Net Assets – Wrongful Conviction Cases

During the fiscal year ended March 31, 2006, the Province of Manitoba approved a reallocation of $130,000 from the Corporation's unrestricted net assets. This funding was provided for section 696 applications under the Criminal Code for wrongful conviction appeals. In the current fiscal year, the Corporation incurred expenses of $12,548 (2007 - $204) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is $78,559.

16. Public Sector Compensation Disclosure

For the purposes of the Public Sector Compensation Disclosure Act, all compensation for employees, Management Council members and the private bar fees and disbursements from the Corporation is disclosed in a separate statement.

17. Legal Aid Manitoba Application System (LAMAS)

A new software application system was installed and implemented fiscal 2006/07 at a cost of $764,859. The system was paid for by the Department of Justice and therefore, a capital asset has not been recorded in these financial statements.

LEGAL AID MANITOBA

SCHEDULE 1

Schedule of Expenses
for the year ended March 31

	COMMUNITY LAW CENTRES		PUBLIC INTEREST LAW CENTRE		UNIVERSITY LAW CENTRE		GENERAL AND ADMINISTRATIVE		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,912	$ 25,314	$ 28,912	$ 25,314
Amortization	56,564	77,786	3,314	2,967	390	-	26,397	26,370	86,665	107,123
Bad debts	-	-	-	-	-	-	138,105	207,773	138,105	207,773
Bank charges	-	-	-	-	-	-	2,140	2,190	2,140	2,190
Collection costs	-	-	-	-	-	-	9,525	7,481	9,525	7,481
Computer costs	10,778	13,473	1,965	-	1,391	-	41,465	29,932	55,599	43,405
Council expenses	-	-	-	-	-	-	122,480	112,045	122,480	112,045
Duty counsel	132,470	190,417	904	-	-	-	1,240	813	134,614	191,230
Equipment maintenance	96,567	85,481	8,839	11,509	-	-	65,532	47,996	170,938	144,986
Expert witnesses and consultants	-	-	13,775	25,350	-	-	-	-	13,775	25,350
File disbursements	272,891	231,382	189,931	45,158	811	978	26,226	26,935	489,859	304,453
Library	49,880	27,296	8,801	6,008	-	74	8,255	25,548	66,936	58,926
Meetings	27,757	27,816	630	13,610	-	-	19,633	18,436	48,020	59,864
Office expenses	190,254	184,766	14,355	14,325	3,785	3,580	124,855	155,222	333,249	357,893
Office relocation	3,011	4,371	-	-	-	-	933	1,133	3,944	5,504
Pension costs (note 14)	-	-	-	-	-	-	1,296,456	1,258,250	1,296,456	1,258,250
Premise costs	626,258	612,674	23,260	23,495	45	39	159,627	172,316	809,190	808,524
Professional fees	102,279	127,375	7,335	8,999	-	-	146,691	153,192	256,305	289,566
Salaries, benefits and levy	8,260,629	7,712,682	350,584	400,896	83,677	86,869	2,369,454	2,333,361	11,069,344	10,533,808
Severance benefits	-	-	-	-	-	-	172,539	290,575	172,539	290,575
Staff development	110,985	39,699	5,018	1,877	7	-	19,338	84,088	135,348	125,664
Staff recruitment	56,942	22,159	624	105	-	-	5,291	10,327	62,857	32,591
Telephone	96,246	95,933	7,200	5,069	1,979	2,617	44,857	42,050	150,282	145,669
Transcripts	11,991	9,663	-	-	-	55	-	-	11,991	9,718
Travel	94,223	83,524	5,779	6,959	5,932	2,451	20,308	18,484	126,242	110,418
TOTAL	$ 10,199,725	$ 9,546,499	$ 642,314	$ 606,327	$ 103,017	$ 96,663	$ 4,850,259	$ 5,049,831	$ 15,795,315	$ 15,258,320

MASC
Manitoba Agricultural Services Corporation

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original Signed By

Neil Hamilton
PRESIDENT & CHIEF EXECUTIVE OFFICER

Original Signed By

Jim Lewis
VICE PRESIDENT, FINANCE & ADMINISTRATION

JUNE 16, 2008



AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the balance sheet of the Manitoba Agricultural Services Corporation as at March 31, 2008, the statements of operations and funds retained and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed By

Office of the Auditor General

Winnipeg, Manitoba
June 16, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 Office: (204) 945-3790 Fax: (204) 945-2169
www.oag.mb.ca

Balance Sheet

As at March 31, 2008 (in thousands)

	2008	2007
ASSETS:		
Cash	$ 1,619	$ 1,538
Investments *(Notes 4(B) & 8)*	268,158	193,454
Accounts receivable *(Note 9)*	37,973	22,696
Prepaid expenses	100	93
Loans receivable *(Note 10)*	288,769	300,419
Real estate *(Note 13)*	758	806
Property and equipment *(Note 14)*	290	305
	$ 597,667	$ 519,311
LIABILITIES AND FUNDS RETAINED:		
Reinsurance premiums payable *(Notes 15 & 16)*	$ 4,435	$ 3,056
Claims payable *(Note 17)*	29,230	12,411
Accounts payable and accrued liabilities *(Note 18)*	12,588	11,138
Provision for losses on guaranteed loans *(Note 24)*	13,240	12,244
Advances from the Province of Manitoba *(Note 20)*	324,698	326,478
Deferred revenue *(Note 21)*	290	305
Funds retained	213,186	153,679
	$ 597,667	$ 519,311

Approved by the Board:

Original Signed By

John S. Plohman
CHAIR

Original Signed By

Frieda Krpan
VICE CHAIR

Statement of Operations and Funds Retained

For the year ended March 31, 2008 (in thousands)

	2008	2007
REVENUE:		
Insurance premiums *(Note 4(l))*		
Insured producers	$ 73,235	$ 58,848
Government of Canada	55,225	42,507
Province of Manitoba	36,815	28,336
	165,275	129,691
Interest from loans	20,453	20,444
Other contributions - Government of Canada	7,609	6,894
Other contributions - Province of Manitoba	55,392	36,301
Investment income	10,449	6,282
Real estate and other income	681	1,043
Reinsurance recoveries *(Notes 15 & 16)*		518
Total revenue	259,859	201,173
EXPENSES:		
Insurance indemnities and compensation payments *(Note 22)*	88,829	59,013
Reinsurance premiums *(Note 15 & 16)*	25,232	20,115
Allocated to insured funds	18,573	15,021
Net bad debt & guaranteed loan loss expense *(Note 7 & 8)*	1,242	1,440
Hailing Ladies expenses	1,231	1,000
Loan interest concession *(Note 7)*	747	1,000
Farmland MB tax rebate payments	29,199	25,211
Other program payments	16,528	750
Administrative expenses *(Schedule 1)*	18,785	11,892
Total expenses	200,352	135,242
Net income and comprehensive income for the year	59,507	65,985
Funds retained, beginning of year	153,679	87,694
Funds retained, end of year *(Schedule 2)*	$ 213,186	$ 153,679

Statement of Cash Flows

For the year ended March 31, 2008 (in thousands)

	2008	2007
Cash provided by (used for)		
Operating activities		
Net income and comprehensive income for the year		
Income before investment income	$ 49,058	$ 59,206
Investment income	10,449	6,782
	59,507	65,988
Items not involving cash		
Change in provisions and allowances	465	478
Loan interest concession	221	-
Gain on disposal of real estate	(70)	(145)
Amortization of property and equipment	95	122
Loans disbursed	(69,541)	(69,215)
Loan principal received	81,372	51,704
Changes in		
Accounts receivable	(15,331)	(9,042)
Prepaid expenses	(7)	33
Loans receivable	353	32,223
Reinsurance premiums payable	1,379	1,957
Claims payable	16,819	(6,921)
Accounts payable and accrued liabilities	1,266	(205)
Deferred income	(15)	(36)
Cash provided by operating activities	76,513	66,731
Investing activities		
Sale (purchase) of investments	27,771	(13,326)
Net proceeds on sale of real estate	132	543
Purchase of property & equipment	(80)	(76)
Cash provided by (used for) investing activities	27,823	(13,859)
Financing activities		
Advances repaid to the Province of Manitoba	(1,780)	(16,342)
Cash used for financing activities	(1,780)	(16,342)
Net increase in cash and equivalents	102,556	36,730
Cash and equivalents, beginning of the year	93,988	57,258
Cash and equivalents, end of year	$ 196,544	$ 93,988
Cash and equivalents comprised of the following:		
Investments	$ 268,158	$ 193,454
Investments with terms greater than 90 days	(73,233)	(101,004)
Investments with terms of 90 days or less	194,925	92,450
Cash	1,619	1,538
	$ 196,544	$ 93,988

Notes to Financial Statements

as at March 31, 2008 (tabular amounts in thousands of dollars)

1. AUTHORITY AND PURPOSE

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, Production Insurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services for the agricultural industry.

2. BASIS OF REPORTING

MASC's financial statements are presented in accordance with Canadian generally accepted accounting principles.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, MASC has adopted the following recommendations of the CICA Handbook:

(A) SECTION 1506, ACCOUNTING CHANGES:

This revised standard requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. MASC has not made any voluntary change in accounting principles since the adoption of the revised standard.

(B) SECTION 3855, FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT:

This section describes the standards for recognizing and measuring financial instruments and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, whether part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

(C) SECTION 3861, FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION:

This section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

(D) SECTION 1530, COMPREHENSIVE INCOME:

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. MASC has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because MASC has no items related to other comprehensive income, comprehensive income is equivalent to net income.

(E) SECTION 3251, EQUITY:

This section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

These new standards were applied retroactively as of April 1, 2007 without restatement of the prior year's figures. MASC's net assets as of April 1, 2007 were not affected by these new standards.

4. SIGNIFICANT ACCOUNTING POLICIES

(A) PROGRAMS

Under the provisions of the applicable legislation, MASC delivers lending, insurance and other programs and services. For financial accounting purposes, all programs are treated as separate operations and are accounted for separately.

(B) INVESTMENTS

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*.

(C) PROPERTY AND EQUIPMENT AND AMORTIZATION

Property and equipment are reported at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Software Development	8 years
Leasehold Improvements	remaining term of lease

(D) PENSIONS

MASC employees are [illegible]

Effective April 1, 2005, the Manitoba Agricultural Credit Corporation (MACC) became a fully funded matching employer. Upon the formation of the Manitoba Agricultural Services Corporation (MASC), the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MACC employees continued to be matched by MASC.

Prior to amalgamation, the Manitoba Agricultural Credit Corporation (MACC) did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Effective September 1, 2005, the current pension contributions for former MACC employees are matched on a go-forward basis. MASC accrues a provision for its liability for the pensionable service that was earned prior to the amalgamation on September 1, 2005, that includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 9). Details of the provision for the pension benefits are outlined in Note 19. Actuarial gains (losses) are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC's matching contributions for 2007/08 totalled $563,735.

(E) VACATION AND SEVERANCE PAY

MASC employees are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on MASC's best estimate. Actuarial gains (losses) on severance pay are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

(F) PROVISION FOR LOSSES ON LOANS AND LOAN GUARANTEES

The provision for impaired loans is determined annually, through a review of individual accounts. The provision represents management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for impaired loans identified on an individual loan basis, MASC establishes a further provision representing management's best estimate of additional probable losses in the entire loan portfolio.

The provisions for losses on loan guarantees are determined annually by a review of each guarantee program. The provisions represent management's best estimate of probable claims against the guarantees. Such provisions are intended to cover principal, accrued and unpaid interest, and any additional recoverable amounts.

Current year provisions for impaired loans and loan guarantees are charged as expenses to bad debt and guaranteed loan loss expense. Actual accounts that have been written off are charged to the appropriate provision.

(G) REAL ESTATE ACQUIRED IN SETTLEMENT OF LOANS

Real estate that is acquired through foreclosure and voluntary transfers of titles in the settlement of loans is recorded at the lower of the recorded value of the loan or the appraised value of the real estate at acquisition date. Real estate is reported net of a provision for a decline in real estate values.

(H) REAL ESTATE UNDER LONG-TERM LEASE

Real estate that was acquired for the purpose of providing long term leases to purchasers through the land lease program is recorded at cost.

(I) PREMIUMS AND GOVERNMENT CONTRIBUTIONS

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of premiums under the Production Insurance Program. Premiums for crop loss are shared between insured producers (40%), the Government of Canada (36%) and the Province of Manitoba (24%).

In addition to the general premiums sharing provisions noted above, alternative premium sharing arrangements apply for basic Excess Moisture Insurance (EMI), the EMI Zero Deductible Option and the Fall Frost Insurance Pilot Program.

(J) ADMINISTRATIVE EXPENSES

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The federal-provincial agreement relating to Production Insurance referred to in Section (I) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(K) USE OF ESTIMATES

Preparing MASC's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results may differ from these estimates. Significant estimates are made by management in the following balances: accounts receivable, loans receivable, claims payable, accounts payable and the provision for losses on guaranteed loans.

(L) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and MASC's designation of such instruments.

CLASSIFICATIONS

MASC has designated its financial instruments as follows:

Held for trading:	Cash
Held to maturity:	Investments
Loans and receivables:	Accounts receivable
	Loans receivable
Other liabilities:	Reinsurance premiums payable
	Claims payable
	Accounts payable and accrued liabilities
	Advances from the Province of Manitoba
	Provision for losses on guaranteed loans

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

MASC uses the effective interest method to recognize interest income or expense which includes discounts recognized on loans with concessionary terms and transaction costs related to all financial instruments are expensed as incurred.

RISK MANAGEMENT

Credit risk:

MASC provides direct loans to clients in the normal course of operations. Credit reviews of individual clients are carried out on a continuing basis, thereby providing estimated provisions for contingent credit losses.

Interest rate risk:

Interest rate risk is the risk to MASC's earnings that arises from fluctuations in interest rates. During the year ended March 31, 2008, MASC did not utilize derivative financial instruments to reduce its exposure to interest rate risk. MASC borrows funds from the Province of Manitoba at fixed rates and normally lends those funds at 1.5% above the borrowing rate, therefore, cash flow exposure is not significant.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments are valued at cost, with adjustments for any applicable allowance for doubtful accounts. This applies to investments, accounts receivable (excluding receivables related to pension and severance pay liabilities), reinsurance premiums payable, claims payable and accrued liabilities (excluding pension and severance pay liabilities). Cost approximates fair market value for these instruments due to their short-term nature.

The carrying value of MASC's pension and severance pay liabilities are based on actuarial valuations adjusted over time for the effect of interest and payouts since the valuations were performed. The carrying value of the liabilities approximates their fair values as the interest component is comparable to current market rates. The carrying value of the related pension and severance receivables approximates their fair value as their carrying value is derived from the related pension and severance liabilities.

Fair value of loans receivable, provision for losses on guaranteed loans, and advances from the province are disclosed in their respective notes.

(M) FUTURE ACCOUNTING CHANGES

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. All three sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, MASC will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. MASC is currently assessing the impact of these new standards on its financial statements.

5. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation Program, which compensates producers for 80% of damage to agricultural crops and products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

6. FARMLAND SCHOOL TAX REBATE PROGRAM

In April 2005, MASC became responsible for the administration of the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate of 65% of the school tax paid on farmland in 2007. The rebate was increased from 60% in 2006. The program provides a three-year time frame for claiming rebates. Recorded rebate payments of $29,199,000 include a provision of $4,894,000 for 2007 rebates that had not yet been applied for. In addition, a provision of $4,824,000 remains for 2005 and 2006 rebates. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

7. OTHER PROGRAMS

MANITOBA AGRICULTURE WEATHER SERVICE CONSORTIUM

In March 2005, MASC became responsible for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of this initiative is to establish a network of weather stations, which will provide the regional weather data that is required to forecast pest and plant disease outbreaks and moisture conditions for crop production. A total of $216,000 in administrative expenses was incurred for the year ended March 31, 2008 (2007 - $129,000). Funding for this project was provided to MASC by the Manitoba Association of Agricultural Societies.

ALUS – AN ECOLOGICAL GOODS AND SERVICES RESEARCH PROJECT – MANITOBA

In December 2005, MASC became responsible for the administration of ALUS: An Ecological Goods and Services Research Project – Manitoba in the RM of Russell-Binscarth. ALUS stands for Alternative Land Use Services. The goal of this project is to test and evaluate the concept of paying producers for specific land management practices that are determined to produce measurable environmental benefits. Producers' payments totalled $298,000 (2007 - $294,000) and was provided to MASC by the Keystone Agricultural Producers (KAP). A total of $24,000 in administrative expenses was incurred for the year ended March 31, 2008 (2007 - $82,000), which was funded by the Province of Manitoba's Covering New Ground initiative.

ASSINIBOINE VALLEY PRODUCERS FLOOD ASSISTANCE PROGRAM

In May 2007, MASC became responsible for the administration of the Assiniboine Valley Producers Flood Assistance Program. The program is funded by the Government of Manitoba for the purpose of providing assistance to agricultural producers along the Assiniboine River between the Shellmouth Reservoir and Brandon. The program covers flood losses in 2005, 2006 and 2007 due to the interaction of unexpected rainfall and the operation of the Shellmouth dam. Producer compensation totalled $1,730,000, which includes a $446,000 provision for outstanding payments. Administrative expenses totalled $97,000 for the year ended March 31, 2008.

MANITOBA RUMINANT ASSISTANCE PROGRAM

In March 2008, MASC became responsible for the administration of the Manitoba Ruminant Assistance Program. The program is being funded by the Government of Manitoba for the purpose of providing short-term financial assistance to Manitoba ruminant producers to help sustain the livestock industry during a period of high feed costs and weak market prices. Program payments are based on the higher of a participant's 2005 or 2006 eligible net sales of ruminant livestock. A provision of $14,700,000 has been set up, comprised of $14,500,000 for program payments and $200,000 for administrative expenses.

8. INVESTMENTS

MASC's investments as of March 31, 2008 consist of the following:

INVESTMENT MATURITY TERMS	AVERAGE INTEREST RATE	LENDING PROGRAMS	PRODUCTION INSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	2008 TOTAL	2007 TOTAL
1 year	3.291%	$ 9,000	223,707	20,903	4,548	$ 258,158	$ 175,754
2 years	3.992%	-	-	2,700	-	2,700	10,800
3 years	3.874%	-	-	2,700	-	2,700	2,700
4 years	4.180%	-	-	1,500	-	1,500	2,700
5 years	4.474%	-	-	3,100	-	3,100	1,500
	3.322%	$ 9,000	223,707	30,903	4,548	$ 268,158	$ 193,454

9. ACCOUNTS RECEIVABLE

MASC's accounts receivable as of March 31, 2008 consist of the following:

	LENDING PROGRAMS	PRODUCTION INSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2008 TOTAL	2007 TOTAL
	$					$ 2,138	$ 3,456
						2,675	1,603
						23,675	11,983
						7,225	1,415
						149	269
						95	111
	$ 6,249	10,883	825	5,338	15,478	$ 37,973	$ 22,606

RECEIVABLES FROM THE PROVINCE OF MANITOBA RELATED TO:

Pension liability

The Province of Manitoba has accepted responsibility for funding the Manitoba Agricultural Services Corporation's pension liability (for pensionable service earned by the employees of the former Manitoba Agricultural Credit Corporation prior to amalgamation on September 1, 2005) and related expense which includes an interest component. The Manitoba Agricultural Services Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability of $6,212,000 as at March 31, 2008 (2007 - $6,115,000), and has recorded revenue for 2007/08 equal to its pension expense of $428,000 (2007 - $415,000). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

Vacation pay liability

The amount recorded as a receivable from the Province for vacation pay expenses was initially based on the estimated value of the corresponding liability as at March 31, 1999. Subsequent to March 31, 1999, the Province has included in its ongoing annual funding to the Manitoba Agricultural Services Corporation, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2008 the receivable for vacation pay liabilities was $169,000 (2007 - $169,000).

Severance pay liability

The amount recorded as a receivable from the Province for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1999. Subsequent to March 31, 1999, the Province provides annual grant funding for its share of the severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2008 the receivable for severance pay liabilities was $429,000 (2007 - $429,000).

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

10. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2008 consist of the following:

		2008	2007
Amounts are due over the following terms:			
1 year	Regular instalments	$ 9,215	$ 9,993
2 years	Regular instalments	13,957	20,043
3 years	Regular instalments	10,582	14,957
4 years	Regular instalments	11,722	10,582
5 years	Regular instalments	20,029	11,722
Over 1 year	Regular instalments	10,429	20,029
2 years	Regular instalments	9,915	10,429
3 years	Regular instalments	9,915	9,915
4 years	Regular instalments	20,403	9,915
5 years	Regular instalments	19,205	22,937
Over 5 years	Regular instalments	162,277	154,989
		317,986	330,170
Less: Unamortized discount on loans with concessionary interest rates (Note 11)		221	
		317,765	330,170
Less: Provisions for impaired loans (Note 12)		28,996	29,751
		$ 288,769	$ 300,419

The approximate fair value of loans receivable, before any discounts or provisions for impaired loans are applied, as of March 31, 2008 is $331,760,000 (2007– $320,380,000). Fair value is based on expected future cash flows discounted by current interest rates for loans with similar terms and credit risk.

A portion of the loans receivable will be paid through funding for the Young Farmer Rebate (YFR) program that is provided by the Province of Manitoba. Clients earn the rebate at the same frequency as the contractual payment term and the rebate is applied in equal payments over the first five years of the loan. Over the next five years, YFR will provide approximately $5.8 million in payments towards the loan receivable balance.

TERMS OF LOANS RECEIVABLE

All loans have fixed rates, with an average yield breakdown as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
4.0% and lower	$	6,689	$ 6,689
4.01% to 5.0%	1,348	4,122	5,470
5.01% to 6.0%	17,773	38,884	56,657
6.01% to 7.0%	163,063	21,220	184,283
7.01% to 8.0%	63,228	571	63,801
More than 8.0%	2,037	51	2,088
	$ 247,449	$ 71,537	$ 317,986

Loan balances are as follows:

	AVERAGE INTEREST RATE	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Less than 5 years	6.178%	$ 43,115	$ 42,876	$ 85,991
5 to 10 years	6.299%	54,367	20,645	75,012
10 to 15 years	6.758%	72,935	5,315	78,250
15 to 20 years	6.712%	56,081	2,113	58,194
20 to 25 years	6.669%	19,951	588	20,539
	6.465%	$ 246,449	$ 71,537	$ 317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

11. UNAMORTIZED DISCOUNT ON LOANS WITH CONCESSIONARY INTEREST

Loans receivable includes the Manitoba Hog Assistance Program loan portfolio, implemented in February 2008, which has an interest concession for the first three years of the eight-year amortization period. The first year interest rate is 2.25% (with an additional 1% discount for young farmers under 40 years of age), rising to 4.5% (with the additional 1% discount applicable carried forward) for the next two years. The portfolio balance was $5,193,000 on March 31, 2008 and a present value discount of $221,000 for the loan interest concessions was applied, reducing the carrying value of the portfolio to $4,972,000. Given that these loans were disbursed in March 2008, there has been no amortization of this discount as at March 31, 2008.

12. PROVISIONS FOR IMPAIRED LOANS

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Beginning provision balance	$ 15,515	$ 14,236	$ 29,751
Loans written off	(3,113)	(380)	(3,493)
Provision (recovery)	(1,289)	673	(616)
Ending provision balance	$ 11,113	$ 14,529	$ 25,642

*Includes Manitoba Hog Assistance, Pre-Harvest, Pre-Seed Forward, Flood Proofing, Flood Recovery, Livestock Feed Assistance and Livestock Tax Deferral programs.

13. REAL ESTATE

	2008	2007
Real estate held for sale	$ 758	$ 1,071
Provision for decline in real estate value		(171)
	$ 758	$ 900

14. PROPERTY AND EQUIPMENT

	2008		2007	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Furniture and equipment	$ 344	$ 194	$ 359	$ 177
Computer hardware	325	242	356	318
Computer software	189	132	182	105
Major software development	2,907	2,907	2,907	2,907
Leasehold improvements	298	298	298	290
	$ 4,063	$ 3,773	$ 4,102	$ 3,797
Net book value		$ 290		$ 305

15. REINSURANCE – PRODUCTION INSURANCE PROGRAM

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the Production Insurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2008	2007	2008	2007
Opening surplus (deficit)	$ 1,419	$ 432	$ 23,438	$ 19,451
Current year reinsurance premium contributions*	755	987	755	987
Net book value	$ 2,174	$ 1,419	$ 24,193	$ 23,438

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.

For 2007/08, MASC entered into a one-year private sector reinsurance agreement for the Production Insurance Program in addition to the financial protection provided by the federal-provincial reinsurance agreement noted above. Through the private sector reinsurance agreement, 25 reinsuring companies assumed 90% of losses (including a deemed loss adjustment expense) from 15.0% to 27.5% (2007 – 15.0% to 25.0%) of Production Insurance liability (coverage). Reinsurance premiums were $22,701,000 (2007 – $16,063,000). There were no private sector reinsurance recoveries (2007 - $118,000).

16. REINSURANCE – HAIL INSURANCE PROGRAM

Starting in 2007/08, MASC entered into a three-year private sector reinsurance agreement for the Hail Insurance Program. Through the agreement, eight reinsuring companies assume 80% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). In 2006/07, 90% of losses (including actual loss adjustment expenses) from 125% to 200% of gross premium were reinsured. Reinsurance premiums were $1,022,000 (2007 - $881,000). There were no reinsurance recoveries in 2008 (2007 – nil).

17. CLAIMS PAYABLE

Claims payable of $29,230,000 (2007 - $12,411,000) includes: a provision of $3,184,000 (2007 - $3,900,000) for the Production Insurance Program, which represents the liability for unpaid claims and the over-winter deterioration of unharvested crops; a provision of $9,823,000 (2007 - $7,447,000) for outstanding Farmland School Tax Rebate payments; a provision of $276,000 (2007 - $274,000) for the Wildlife Damage Compensation Program, a provision of $446,000 for the Assiniboine Valley Producers Flood Assistance Program compensation and $14,500,000 for the Manitoba Ruminant Assistance Program payments. The balance represents actual claims payable.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable at March 31, 2008 include the following:

	LENDING PROGRAMS	PRODUCTION INSURANCE PROGRAM	WILDLIFE DAMAGE COMPENSATION PROGRAM	OTHER PROGRAMS	2008 TOTAL	2007 TOTAL
	$				$	$

19. PROVISION FOR EMPLOYEE PENSION BENEFITS

MASC employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act*. As outlined in Note 4(D), MASC contributes 50% of the pension disbursements made to retired employees of the former Manitoba Agricultural Credit Corporation (MACC) for service up to September 1, 2005. Additionally, MASC has a pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as at December 31, 2004 was conducted by Ellement & Ellement. The key actuarial assumptions were a rate of return of 6.50% (2001 – 6.75%), 2.50% inflation (2001 – 2.75%), salary rate increases of 3.25% (2001 – 3.50%) and post retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2008 using a formula provided by the actuary. The following table provides the calculation of the liability for pension benefits of $6,225,000 (2007 - $6,124,000):

	2008	2007
Accrued pension liability – beginning of year	$ 6,124	$ 5,976
Benefits accrued	3	(17)
Interest accrued on benefits	429	418
Benefits paid	(331)	(233)
Accrued pension liability – end of year	$ 6,225	$ 6,124

20. ADVANCES FROM THE PROVINCE OF MANITOBA

Following practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is based on the net present value of the future cash flows of the loan being prepaid less the net present value of a loan with the same terms, except having an interest rate of a non-callable, non-callable Province of Manitoba bond with the same term to maturity.

Advances are repayable in equal annual blended (principal and interest) payments and interest rates ranging from 3% to 8% (the weighted average interest rate of the entire portfolio at March 31, 2008 was 5.195% (2007 - 5.195%)).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2008	2007
1 year	$ 17,564	$ [illegible]
2 years	41,335	[illegible]
3 years	28,127	[illegible]
4 years	58,196	[illegible]
5 years	53,809	[illegible]
More than 5 years	109,444	[illegible]
	$ 324,698	$ [illegible]

The approximate fair value of advances from the Province of Manitoba at March 31, 2008 is $347,863,000 (2007 - $339,611,000). Fair values for the advances from the Province of Manitoba are based on the net present value of expected future cash flows, discounted by current interest rates for loans with similar terms and credit risk.

21. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided by the Government of Canada and the Province of Manitoba and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

22. INDEMNITIES

Production Insurance indemnities of $72,433,000 (2007 - $44,323,000) represent $73,851,000 for the 2007/08 crop year and a reduction of $1,418,000 as a result of an excess in the estimate of claims payable at March 31, 2007.

23. CONTRACTUAL OBLIGATIONS

MASC has entered into a number of long-term lease agreements. The minimum payments under these leases are as follows:

YEAR ENDING MARCH 31	LEASE AGREEMENT AMOUNTS
2009	$ 143
2010	112
2011	46
2012	6
2013 and beyond	
	$ 307

24. CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2008 are shown below:

	CONTINGENT LIABILITY		PROVISION FOR LOSSES	
	2008	2007	2008	2007
Operating Credit Guarantees	$ 10,197	$ 9,349	$ 1,629	$ 1,502
Manitoba Livestock Associations Loan Guarantees	5,671	4,683	1,418	1,171
Diversification Loan Guarantees	6,245	7,609	1,060	1,141
Enhanced Diversification Loan Guarantees	59,551	56,196	9,133	8,430
	$ 81,664	$ 77,837	$ 13,240	$ 12,244

The approximate fair value of the provision for losses on the loan guarantee programs as of March 31, 2008 was $11,460,000 (2007 - $9,685,000). Fair value is based on expected future cash flows discounted by current rates of return.

The Operating Credit Guarantee Program was introduced on April 1, 2003, replacing the Guaranteed Operating Loan Program. The Operating Credit Guarantee provides the participating lending institution a guarantee of 25% of each individual loan made under this program. The maximum allowable individual loan is $450,000, with $700,000 available for partnerships, corporations and co-operatives.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each association, MASC provides a guarantee to the lending institutions based on 25% of the amount of the loan to a maximum guarantee of $1,250,000.

The Diversification Loan Guarantee Program was introduced in December 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the private lender's loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

In 2001, the Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program. Guarantees are now based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

(B) MASC provides surety bonds for certain agricultural agencies in the amount of $83,130 (2007 - $83,130). No contingency provision is made for these undertakings in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period that such claims occur.

(C) As at March 31, 2008 MASC had approved but not disbursed loans in the amount of $15,520,963 (2007 - $16,621,358).

(D) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

25. ACTUARIAL REVIEW

An actuarial certification of the Production Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial review of MASC concludes that the methodologies used to establish the probable yields for insured crops meet the requirements of the federal Crop Insurance Regulation, that the premium rate methodologies are actuarially sound and are sufficient to meet expected claim costs; and that the program meets the financial self-sustaining criteria defined by the Government of Canada.

A new full actuarial certification was completed in March 2008, and will take effect in the 2008/09 crop year. Any new programs or program changes require actuarial review prior to implementation.

26. RELATED PARTY TRANSACTIONS

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Interest earned on investments held by the Province of Manitoba amounted to $10,134,000 (2007 - $6,498,000). Included in accounts receivable (Note 9) is $1,225,000 (2007 - $1,215,000) of accrued interest related to these investments.

27. COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the 2008 financial statement presentation.

28. SUBSEQUENT EVENT

The two administration collective agreements between the Manitoba Government and General Employees' Union and MASC expired on March 17, 2006. A new administration collective agreement was ratified by the union membership on May 15, 2008. The new contract spans four years as is effective from March 18, 2006 to March 26, 2010. The general salary increases agreed to are 2.5% for each of the first three years and 2.9% for the final year of the agreement.

The estimated additional expense of $750,000 for the two-year period ended March 31, 2008, net of the estimated contributions from the Province of Manitoba and the Government of Canada of $660,000 will be recorded in the 2008/09 financial statements.

Management's Responsibility for Financial Reporting

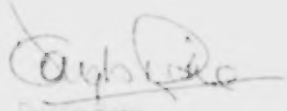
The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's estimates and judgments where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2008, have been audited by Magnus & Buffie in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Council, through its Audit/Finance/Human Resource Committee, carries out its responsibility for the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council, which approves these financial statements and the Annual Report prior to release.



Auditor's Report

To the Members of the Council,
Manitoba Arts Council

We have audited the statement of financial position of Manitoba Arts Council as at March 31, 2008 and the statements of revenues and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus and Buffie,
CHARTERED ACCOUNTANTS

May 14, 2008

MANITOBA ARTS COUNCIL

Statement of Financial Position

AS AT MARCH 31, 2008

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2008 TOTAL	2007 TOTAL
Current Assets				
Cash and short-term investments (note 5)	$531,044	$0	$531,044	$560,689
Accrued interest income	7,507	0	7,507	14,452
Accounts receivable	35,677	0	35,677	39,217
Prepaid expenses	9,424	0	9,424	16,823
	$583,652	$0	$583,652	$631,181
Recoverable, Province of Manitoba (note 13)	36,000	0	36,000	36,000
Recoverable, Province of Manitoba	0	200,000	200,000	4,000
Long term investments (note 6)	400,000	0	400,000	400,000
Musical instruments	104,796	0	104,796	104,796
Works of visual art	329,995	0	329,995	329,995
Capital assets (note 7)	68,651	0	68,651	75,192
Interfund balances	(73,000)	73,000	0	0
Total Assets	$1,450,094	$273,000	$1,723,094	$1,581,164
Current Liabilities				
Accounts payable and accrued liabilities	106,608	0	106,608	111,200
Commitments for grants and programs	514,337	5,000	519,337	603,597
Deferred grant revenue	0	200,000	200,000	0
	620,945	205,000	825,945	714,797
Investments in musical instruments and works of visual art	434,791	0	434,791	434,791
	1,055,735	205,000	1,260,735	1,149,588
Fund Balances				
Invested in capital assets	68,651	0	68,651	75,192
Internally restricted (note 9)	46,000	68,000	114,000	140,000
Unrestricted	279,707	0	279,707	216,384
	394,358	68,000	462,358	431,576
Lease Commitment (note 10)				
Total Liabilities and Fund Balances	$1,450,094	$273,000	$1,723,094	$1,581,164

On behalf of Council

Chair

Executive Director

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Revenues and Expenses

AS AT MARCH 31, 2008

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2008 TOTAL	2007 TOTAL
Revenue				
Province of Manitoba - Operating Grant (note 11)	$8,461,400	$0	$8,461,400	$8,411,400
Province of Manitoba - Bridges Grant	0	875,000	875,000	875,000
Province of Manitoba - Education Grant	0	0	0	50,000
Investment Income	115,660	0	115,660	114,105
Other	35,000	0	35,000	39,002
	$8,612,060	$875,000	$9,487,060	$9,489,507
Grants				
Arts Training Schools	151,000	0	151,000	151,000
Arts Service Organizations	188,000	0	188,000	179,900
Dance Companies	970,000	0	970,000	967,000
Music Organizations	1,139,500	0	1,139,500	1,170,000
Theatre Companies	1,615,000	0	1,615,000	1,602,000
Visual Arts Organizations	813,000	0	813,000	813,000
Book Publishers	262,300	0	262,300	255,500
Periodical Publishers	205,775	0	205,775	207,500
	5,344,575	0	5,344,575	5,345,900
Touring Grants	319,500	0	319,500	327,500
Presentation Grants	294,398	0	294,398	293,781
Technical Assistance	10,259	0	10,259	0
Special Grants	1,000	0	1,000	22,800
Management & Governance	0	58,030	58,030	70,429
	$5,969,732	$58,030	$6,027,762	$6,060,110
Creation				
Professional Development Grants	262,165	0	262,165	278,090
Creation and Production Grants	876,783	0	876,783	911,448
Touring Grants	14,150	0	14,150	30,000
Aboriginal Arts Grants	0	84,082	84,082	117,642
	$1,155,098	$84,082	$1,239,180	$1,337,240
Engagement				
Residencies	340,397	0	340,397	305,667
Award of Distinction	30,000	0	30,000	30,000
Special Projects	11,347	0	11,347	44,192
Special Opportunities	123,751	0	123,751	108,296
Community Connections	0	159,965	159,965	119,636
Arts Education Initiatives	0	20,000	20,000	(5,000)
ArtsSmarts Grant	0	30,000	30,000	30,000
	$505,495	$209,965	$715,460	$632,791
	7,630,325	352,077	7,982,402	8,030,131
Arts Program Delivery Expenses (Schedule)	633,133	120,746	753,879	694,794
	8,263,458	472,823	8,736,281	8,724,925
Administrative Expenses (Schedule)	724,917	0	724,917	670,892
	8,988,375	472,823	9,461,198	9,395,817
Rescinded Commitments	(4,920)	0	(4,920)	(16,433)
Total expenses	$8,983,455	$472,823	$9,456,278	$9,379,384
Excess (Expenses) Revenues for the Year	(371,395)	402,177	30,782	110,123

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Changes in Fund Balances

AS AT MARCH 31, 2008

	GRANTS & PROGRAM FUND INVESTED IN CAPITAL ASSETS	GENERAL (NOTE 7)	BRIDGES FUND (NOTE 7)	2008 TOTAL	2007 TOTAL
Fund Balances, Beginning of Year	$75,192	$293,384	$63,000	$431,576	$321,453
Excess (expenses) revenues for the year	(21,226)	(350,169)	402,177	30,782	110,123
Additions to capital assets	14,685	(14,685)	0	0	0
Interfund transfer (note 7)	0	397,177	(397,177)	0	0
Fund Balances, End of Year	$68,651	$325,707	$68,000	$462,358	$431,576

Notes to Financial Statements

AS AT MARCH 31, 2008

1. Authority & Purpose

The Arts Council Act established the Manitoba Arts Council in 1965 to "...promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Program Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(c) Revenue Recognition

The Council follows the deferral method accounting for revenues. Externally restricted revenues are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted revenues are recognized as revenue in the applicable fund when received or receivable.

(d) Grant Commitments

Grants and program commitments are reflected as expenses when funding is formally approved and committed by Council. Cancellations of prior years' grant expenses are reflected as rescinded grant commitments.

(e) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	5-10 years
Computer hardware and software	3 years

(f) Musical instruments and works of visual art

Musical instruments and works of visual art are shown on the Statement of Financial Position as assets at cost with an offsetting credit to investments in musical instruments and works of visual art. The art bank collection was re-appraised in 2005, at a current market value of $449,222.00.

(g) Financial Instruments – recognition and measurement

Transaction costs are expensed as incurred for financial instruments designated as held for trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost.

Loans and Receivables, Held-to-maturity Investments and Other financial liabilities are measured at fair value and subsequently measured at amortized cost. Gains or losses resulting from revaluation, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. The Council has designated recoverable, Province of Manitoba as Loans and Receivables. The Council does not have any financial instruments designated as Held-to-maturity Investments or Other financial liabilities.

(g) Financial instruments – recognition and measurement (continued)
Available-for-sale Financial Assets are initially and subsequently recorded at fair value, except for equity instruments that do not have a quoted market price in an active market as they are recorded at cost. Gains and losses resulting from revaluation are recognized directly in net assets. Impairment write-downs are included in net earnings for the period. The Council does not have any financial instruments designated as Available-for-sale Financial Assets.

Held-for-trading financial instruments include cash and short-term investments, accrued interest income, accounts receivable, receivable, Province of Manitoba, long term investments, accounts payable and accrued liabilities and commitments for grants and programs are initially and subsequently recorded at fair value. Gains or losses on revaluation are included in net earnings for the period.

(i) Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

3. Adoption of New Accounting Standards

Financial Instruments

On February 1, 2007, the Council prospectively adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA): Section 3855, Financial Instruments - Recognition and Measurement, and Section 3865, Hedges.

(a) Financial Instruments - Recognition and Measurement
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the organization becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the financial instrument's classification.

(i) Financial assets Held-to-maturity, Loans and Receivables, and Other financial liabilities are measured at amortized cost using the effective interest method of amortization. Gains and losses are recorded in earnings when the assets are derecognized or impaired, and through the amortization process.

(ii) Available-for-sale financial assets are measured at fair value with gains and losses recognized directly in net assets, except for impairment losses.

(iii) Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in earnings and are included in the category "fair value through earnings." Derivative instruments are classified as fair value through earnings, including those derivatives that are embedded in financial or non-financial contracts are not closely related to the host contacts.

The application of the above standards did not result in adjustment in these financial statements.

(b) Hedges
Section 3865 established criteria that must be satisfied in order for hedge accounting to be applied. It sets standards for the identification, designation, documentation and effectiveness of hedging relationships for the following hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposure of net investment in a self-sustaining foreign operation. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses from effective hedging relationships are recorded in earnings in the same period. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The company does not participate in hedging strategies and therefore did not have any gains, losses, revenues and expenses related to hedging relationships recorded in earnings for the period.

4. Future Accounting Changes

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These new standards will be applicable to the organization on February 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 2863 replace Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

5. Cash and short term investments

Cash and short term investments consist of $34,097 cash (2007 - $57,133) and a short term investment of $496,947 (2007 - $503,556). The short term investment matures May 6, 2008 with a yield of 3.4%.

6. Long Term Investments

Farm Credit Canada	$100,000	$100,645	$0	$0
Golden Credit Card Trust	100,000	102,180	0	0
Manitoba Builder Bonds	0	0	200,000	204,997
Manitoba Hydro Bonds	100,000	105,922	100,000	105,736
Royal Bank of Canada Issue	100,000	101,551	100,000	99,972
	$400,000	$410,298	$400,000	$410,705

As the difference between costs and market is not significant The Council has not adjusted its carrying value of long term investments to their market value.

7. Capital Assets

Office furniture and equipment	$129,234	$76,093	$53,141	$65,736
Computer hardware and software	272,211	256,701	15,510	9,456
	$401,445	$332,794	$68,651	$75,192

8. Works of Visual Art

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba is currently being negotiated.

9. Interfund Transfers and Internally Restricted Fund Balances

In 2008, the Council members internally restricted $114,000 to be used as follows:

	GRANTS & PROGRAMS	BRIDGES
Technical Assistance	$10,000	
Capital Fund Allocation	36,000	
Bridges Program Review		18,000
Northern Connections		25,000
French Language Programs		25,000
	$46,000	$68,000

These internally restricted amounts are not available for unrestricted purposes without the approval of the members of Council. In addition, $397,177 (2007 - $459,488) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Individual Artists and Arts Development Grants.

10. Lease Commitment

Council has entered into an agreement to lease office premises until March 31, 2012. The 2008 basic annual rent was $113,084. The 2009 basic annual rent is estimated to be the same as 2008 ($113,084). Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

11. Funding Agreement

The funding agreement with the Province of Manitoba established the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000 except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2008, the Council was in discussions with the Province regarding the terms of a new funding agreement.

12. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $13,275 (2007 - $9,620) represent the total obligations for the year.

13. Severance Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record a severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2008, Council recorded a liability of $29,476 (2007 - $30,254). This liability is included in accounts payable and accrued liabilities.

14. Statement of Cash Flow

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

15. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

16. Financial Instruments

(a) Risk management and hedging activities

In the normal course of operations the organization is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The organization does not meaningfully participate in the use of financial instruments to control these risks. The organization has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(i) Currency risk
The organization does not hold any significant assets or liabilities denominated in a foreign currency.

(ii) Market risk
The organization is not exposed to any meaningful market risk.

(iii) Credit risk
The organization is exposed to credit risk on accounts receivable. Management monitors credit exposure on a specific creditor basis and does not have significant concentrations of credit risk.

(iv) Liquidity risk
Management monitors the organization's liquidity and is of the opinion that it is unlikely that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments.

(v) Interest rate risk
The organization is not exposed to any meaningful interest rate risk.

(b) Fair values
The fair values of the organization's financial instruments including cash and short-term investments, accrued interest income, accounts receivable, receivable, Province of Manitoba, long term investments, accounts payable and accrued liabilities and commitments for grants and programs approximate their carrying value.

The fair value of the recoverable, Province of Manitoba is not practical to determine due to their underlying terms and conditions.

MANITOBA ARTS COUNCIL

Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2008

	GRANTS & PROGRAMS FUND	
	2008 TOTAL	2007 TOTAL
Salaries and benefits	$449,820	$426,854
Council meetings	48,480	56,961
Rent	55,535	56,024
Amortization	21,227	26,259
Office supplies, printing and stationery	17,584	12,086
Postage, courier and telephone	15,781	15,229
Staff travel and expenses	29,129	23,441
Insurance and sundry	7,765	7,797
Professional fees	62,670	29,278
Equipment repairs and maintenance	1,926	1,963
Total Administrative Expenses	$709,917	$655,892
Other Administrative Expenses (Art Bank Administration)	$15,000	$15,000
	$724,917	$670,892

Salaries and benefits	$387,058	$73,918	$460,976	$467,526
Jurors' fees and expenses	76,881	7,643	84,524	81,448
Rent	47,495	9,047	56,542	56,750
Communication	45,449	3,040	48,489	41,519
Advocacy	36,444	0	36,444	530
Community consultations	3,263	13,289	16,552	6,834
Staff travel and expenses	8,123	10,650	18,773	8,476
Postage, courier and telephone	6,325	2,835	9,160	9,277
Office supplies	1,446	324	1,770	1,233
Touring development	20,025	0	20,025	20,393
Sundry	624	0	624	808
	$633,133	$120,746	$753,879	$694,794

KWB CHARTERED ACCOUNTANTS INC.

800-125 Garry Street
Winnipeg, MB R3C 3P2
T 204 982 3870
F 204 982 3888
www.kwb.ca

AUDITORS' REPORT

To the Board of Commissioners
Manitoba Boxing Commission

We have audited the statement of financial position of Manitoba Boxing Commission as at March 31, 2008 and the statement of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations the organization derives revenue from commissions, licenses and permits, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KWB CHARTERED ACCOUNTANTS INC.

KWB

August 27, 2008

MANITOBA BOXING COMMISSION
STATEMENT OF FINANCIAL POSITION
March 31, 2008

	2008	2007
ASSETS		
Current Assets		
Cash	$ 7,192	$ 3,434
Accounts receivable	-	1,050
Prepaid expenses	-	500
	7,192	4,984
Property, Plant and Equipment - Note 3	-	-
	$ 7,192	$ 4,984
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,555	$ 2,650
Performance bond deposits	4,000	2,000
	7,555	4,650
NET ASSETS (DEFICIENCY)		
Unrestricted	(363)	334
	$ 7,192	$ 4,984

ON BEHALF OF THE BOARD:

.....Chairman

.....Treasurer

MANITOBA BOXING COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended March 31, 2008

	2008	2007
Revenue		
Administrations	$ 4,500	$ 3,550
Commissions, licenses and permits	2,510	1,242
Grant - Province of Manitoba	14,700	14,700
Grant - other	2,819	2,621
Interest	26	11
	24,555	22,124
Operating expenses		
Administration	627	722
Amortization	1,499	1,074
Bad debts	1,050	-
Card expenses - boxing	308	1,797
Conferences	11,826	9,594
Dues and subscriptions	1,162	1,079
Honoraria	4,200	3,600
Professional fees	4,580	5,184
	25,252	23,050
Excess (deficiency) of revenues over expense	(697)	(926)
Unrestricted net assets, beginning of year	334	1,260
Unrestricted net assets (deficiency), end of year	$ (363)	$ 334

MANITOBA BOXING COMMISSION
STATEMENT OF CASH FLOWS
Year ended March 31, 2008

	2008	2007
From operating activities		
Excess (deficiency) of revenues over expenses	($ 697)	($ 896)
Items not affecting cash		
Amortization expense	1,499	1,074
	802	178
Net changes in non-cash working capital items	4,455	(400)
	5,257	(222)
From investing activities		
Acquisition of property, plant and equipment	(1,499)	(1,074)
Cash increase (decrease)	3,758	(1,296)
Cash, beginning of year	3,434	4,730
Cash, end of year	$ 7,192	$ 3,434

Net changes in non-cash working capital items		
Accounts receivable	$ 1,050	$ 2,000
Prepaid expenses	500	-
Accounts payable and accrued liabilities	905	(3,400)
Performance bonds	2,000	1,000
	$ 4,455	($ 400)

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008

1. Statutes of Incorporation and Nature of Activities

The commission was incorporated under the provisions of the Province of Manitoba by a proclamation dated October 16, 1983.

The Manitoba Boxing Commission is a commission, pursuant to the Boxing Commission Act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies for not-for-profit organizations and reflect the following policies:

Financial Instruments

The company's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Revenue recognition

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and its collection is reasonably assured.

Amortization

Property, plant and equipment are accounted for at cost and is amortized 100% in the year of acquisition.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008

3. **Property, Plant And Equipment**

	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2008			
Computer equipment	$ 2,573	$ 2,573	$ -

4. **Economic Dependence**

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant.



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of the Manitoba Centennial Centre Corporation

We have audited the statement of financial position of the Manitoba Centennial Centre Corporation as at March 31, 2008, and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 18, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 243,963	$ 349,406
Term deposits - Province of Manitoba	867,415	537,886
Accounts receivable	165,523	145,397
Capital grant receivable - Province of Manitoba	384,834	182,358
Inventory	26,606	26,241
Prepaid expenses	71,480	77,308
Vacation pay recoverable from the Province of Manitoba (note 5)	199,964	199,964
	1,959,785	1,518,560
Amounts recoverable - Province of Manitoba:		
Severance (note 5)	307,561	307,561
Pension (note 6)	5,301,000	5,069,000
Capital assets (note 7)	1,118,697	566,612
Other assets:		
The Maitland Steinkopf Youth Fund - term deposit - Province of Manitoba	64,072	64,410
The Manitoba Centennial Foundation of the Future Fund - term deposit - Province of Manitoba	52,917	50,846
	116,989	115,256
	$ 8,804,032	$ 7,576,989

	2008	2007
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 797,715	$ 453,550
Accrued vacation pay (note 5)	241,948	204,520
Capital advances (note 11)	68,163	100,000
Deferred income and rental deposits	30,990	34,389
	1,138,816	792,459
Pension liability (note 6)	5,301,000	5,069,000
Accrued severance pay (note 5)	468,531	433,099
Deferred contributions related to capital assets (note 8)	947,318	370,320
Fund balances		
Invested in capital assets (note 9)	171,379	196,292
Internally Restricted Funds (note 10):		
The Maitland Steinkopf Youth Fund	64,072	64,410
The Manitoba Centennial Foundation of the Future Fund	52,917	50,846
	116,989	115,256
Unrestricted Funds:		
General Fund	659,999	600,563
Commitments (note 11)		
	$ 8,804,032	$ 7,576,989

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	General	Capital	2008 Total	2007 Total
Revenue:				
Concert Hall	$ 803,459	$ –	$ 803,459	$ 1,045,977
Studio rental	144,365	–	144,365	153,235
Bar and concession sales	289,184	–	289,184	355,683
Parking fees	733,543	–	733,543	693,732
Miscellaneous	116,327	–	116,327	105,933
	2,086,878	–	2,086,878	2,354,560
Province of Manitoba grants:				
Operating	2,941,200	–	2,941,200	2,875,800
Amortization of deferred contributions (note 8)	–	199,059	199,059	65,036
Pension (note 6)	217,491	–	217,491	201,541
	3,158,691	199,059	3,357,750	3,142,377
City of Winnipeg grant:				
Strategic Economic Development grant	29,725	–	29,725	29,725
Recoveries of expenses	216,305	–	216,305	231,217
Total revenues, grants and recoveries	5,491,599	199,059	5,690,658	5,757,879
Expenses:				
Administration and general	582,208	–	582,208	548,699
Amortization of capital assets	–	223,972	223,972	89,949
Bar and concession operations	161,612	–	161,612	194,200
Building services and maintenance	1,212,381	–	1,212,381	1,253,320
Host service and special projects	238,694	–	238,694	245,065
Manitoba Production Centre	221,234	–	221,234	221,945
Parking service	207,894	–	207,894	189,071
Pension (note 6)	406,059	–	406,059	378,347
Security services	450,490	–	450,490	425,925
Stage operations	347,270	–	347,270	361,877
	3,827,842	223,972	4,051,814	3,908,398
Expenses incurred on behalf of The Manitoba Museum (note 12)	1,604,321	–	1,604,321	1,560,702
Total expenses (schedule)	5,432,163	223,972	5,656,135	5,469,100
Excess (deficiency) of revenue over expenses	59,436	(24,913)	34,523	288,779
Fund balance, beginning of year	600,563	196,292	796,855	508,076
Fund balance, end of year	$ 659,999	$ 171,379	$ 831,378	$ 796,855

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 34,523	$ 288,779
Adjustments for:		
Amortization of deferred contributions	(199,059)	(65,036)
Amortization of capital assets	223,972	89,949
	59,436	313,692
Change in non-cash working capital balances:		
Accounts receivable	(20,126)	20,912
Operating grant receivable	–	70,000
Inventory	(365)	(5,278)
Prepaid expenses	5,828	(11,174)
Accounts payable and accrued liabilities	195,069	27,740
Deferred income and rental deposits	(3,399)	(1,408)
Accrued vacation pay	37,428	(16,738)
Accrued severance pay	35,432	8,205
Capital advances, net	(31,837)	(221,596)
	277,466	184,355
Financing:		
Capital assets grants - Province of Manitoba	573,581	130,227
Investing:		
Purchase of capital assets	(626,961)	(569,424)
Increase (decrease) in cash and cash equivalents	224,086	(254,842)
Cash and cash equivalents, beginning of year	887,292	1,142,134
Cash and cash equivalents, end of year	$ 1,111,378	$ 887,292
Cash and cash equivalents consist of:		
Cash	$ 243,963	$ 349,406
Term deposits- Province of Manitoba	867,415	537,886
	$ 1,111,378	$ 887,292
Supplemental disclosure of non-cash financing and investing activities:		
Purchase of capital assets in accounts payable	$ 236,233	$ 87,137

See accompanying notes to financial statements.

1. Nature of the Corporation's operations:

The Manitoba Centennial Centre Corporation (the Corporation) was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

In 1969, the Corporation established the Manitoba Centennial Foundation of the Future Fund in recognition of Manitoba's centennial year. In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund was to promote cultural opportunities for Manitoba youths at reasonable costs. Subsequent to the year ended March 31, 2008, the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund were combined and will be used towards funding of arts and culture as the Board of Directors of the Corporation deems appropriate from time to time.

2. Properties of the Corporation:

The Corporation oversees the properties of the centre on behalf of the Province of Manitoba. At March 31, 2008 registered titles to these properties, being the Concert Hall, Manitoba Production Centre, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the financial results of the Manitoba Production Centre within its financial statements as per the Letter of Understanding between Manitoba Culture, Heritage, Tourism and Sport and the Manitoba Centennial Centre Corporation dated December 14, 2005, in which the Corporation agreed to manage the Manitoba Production Centre for the Province.

3. Significant accounting policies:

(a) Fund accounting:

The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The Corporation follows the deferral method of accounting.

The General Fund is used to account for the operations of the Corporation.

3. Significant accounting policies (continued):

Internally restricted funds cannot be expended without the approval of the Board of Directors. The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to capital assets other than buildings that are funded by the Province of Manitoba (notes 2, 3 (e) and 9).

(b) Pension costs:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Corporation to contribute 50 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for the employer's share of current and past service pension obligations.

(c) Term deposits:

Term deposits are recorded at cost plus accrued interest, which approximates fair value due to the short-term nature of these deposits.

(d) Inventory:

Inventory is valued at the lower of cost, using the first-in, first-out method, and net realizable value.

(e) Capital assets:

Capital assets are recorded at cost and are being amortized using the straight-line method over their estimated useful lives as follows:

Asset	Rate
Concert hall refurbishments	10%
Computer equipment	20%
Concrete replacement	8%
Equipment and furnishings	20%
Office renovations	10%
Marquee	20%
Stage and rigging equipment	20%
Stage lighting equipment	20%
Stage sound equipment	20%
Mechanical/electrical equipment	20%

3. Significant accounting policies (continued):

The financial statements of the Corporation exclude capital assets related to buildings and associated assets, as title to these assets is held by the Province of Manitoba (note 2) and these assets are reflected in the financial statements of the Province of Manitoba. Expenditures on these excluded assets, and the related grants and receivables from the Province of Manitoba, are presented in note 11. Effective April 1, 2006, the Corporation began reflecting all other capital asset expenditures in its financial statements, and such assets have been accounted for in accordance with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 4430.

(f) Cash:

Cash includes cash on hand and balances with banks. The carrying value of cash approximates fair value.

(g) Revenue recognition:

Revenue is recognized when services are rendered and when collectibility is reasonably assured.

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred contributions related to capital assets represent the unamortized amount of capital grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Significant accounting policies (continued):

(i) Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards apply to the Corporation from April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

4. Change in accounting policy:

The Corporation adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted funds.

4. Change in accounting policy (continued):

Upon adoption of this new standard, the Corporation designated cash and term deposits as held-for-trading; accounts and grants receivable and amounts recoverable from the Province of Manitoba as loans and receivables; and accounts payable and accrued liabilities and accrued vacation pay as other liabilities. The Corporation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on net assets.

5. Employee benefits:

(a) Severance:

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. At March 31, 2008, based on an actuarial estimate the obligation for accrued severance pay is $468,531 (2007 - $433,099). The significant actuarial assumptions include an interest rate of 7 percent.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The amount of funding which will be provided by the Province of Manitoba for severance pay benefits of $307,561, represents the amount accumulated to March 31, 1998 by the employees of the Corporation and is recorded as amounts recoverable – Province of Manitoba on the statement of financial position. This receivable from the Province of Manitoba has no specified terms of repayment. The Corporation is responsible for funding liabilities for severance pay benefits accumulated after March 31, 1998 through its operating grants from the Province of Manitoba. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense.

5. Employee benefits (continued):

(b) Accrued vacation pay:

The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees.

The Province of Manitoba funds a portion of the vacation pay benefits of the Corporation, which is limited to the amount estimated at March 31, 1995. Accordingly, the Corporation has recorded a recoverable in the amount of $199,964 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. Each year the Corporation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

6. Pension liability:

The Corporation records the actuarial pension liability and the related pension expense, including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report dated December 31, 2004, the Corporation has recorded an amount of $5,301,000 (2007 - $5,069,000) in its financial statements, representing the estimated unfunded liability for the Corporation's employees as at March 31, 2008. Total pension expense of $502,925 (2007 - $470,480) has been recorded in the statement of operations.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense. The Corporation has therefore recorded an amount recoverable from the Province of Manitoba of $5,301,000 (2007 - $5,069,000) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded associated net revenue of $217,491 (2007 - $201,541). The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

	2008	2007
Balance, beginning of year	$ 5,069,000	$ 4,862,000
Increase in trust account held by the Province of Manitoba	(6,330)	(19,190)
Benefits accrued	159,231	145,986
Interest accrued (7 percent; 2007 - 7 percent)	362,142	346,443
Benefits paid	(283,043)	(266,239)
Balance, end of year	$ 5,301,000	$ 5,069,000

7. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Concert hall refurbishments	$ 171,032	$ 17,103	$ 153,929	$ –
Computer equipment	59,615	11,923	47,692	–
Concrete replacement	10,060	805	9,255	–
Equipment and furnishings	46,894	14,964	31,930	22,338
Office renovations	437,850	84,692	353,158	372,274
Marquee	382,230	76,446	305,784	–
Stage and rigging equipment	55,655	22,262	33,393	44,524
Stage lighting equipment	77,244	15,449	61,795	–
Stage sound equipment	159,345	63,738	95,607	127,476
Mechanical/electrical equipment	32,692	6,538	26,154	–
	$ 1,432,617	$ 313,920	$ 1,118,697	$ 566,612

8. Deferred contributions:

	2008	2007
Balance, beginning of year	$ 370,320	$ –
Capital grants received	776,057	435,356
Less amortized to revenue	(199,059)	(65,036)
Balance, end of year	$ 947,318	$ 370,320

9. Invested in capital assets:

	2008	2007
Capital assets (note 7)	$ 1,118,697	$ 566,612
Amounts financed by deferred contributions (note 8)	(947,318)	(370,320)
	$ 171,379	$ 196,292

10. Internally restricted funds:

The following funds are established and managed by the Corporation.

(a) The Maitland Steinkopf Youth Fund:

	2008	2007
Balance, beginning of year	$ 64,410	$ 64,644
Investment income	2,502	2,526
Grant expense	(2,840)	(2,760)
Balance, end of year	$ 64,072	$ 64,410

(b) The Manitoba Centennial Foundation of the Future Fund:

	2008	2007
Balance, beginning of year	$ 50,846	$ 51,297
Investment income	2,071	2,049
Grant expense	–	(2,500)
Balance, end of year	$ 52,917	$ 50,846

11. Capital advances and commitments:

Capital funds in the amount of $68,163 (2007 - $100,000) were drawn in advance on projects awarded but not yet undertaken by March 31, 2008 (as follows):

	2008	2007
Capital grants - Province of Manitoba		
Advances brought forward from previous years	$ (100,000)	$ (281,698)
Received during the year	–	(341,546)
	(100,000)	(623,244)
Capital expenditures not reflected on the Corporation's financial statements (note 3 (e)):		
Air plenium repairs	–	309,470
Handicap ramp	–	213,774
Capital expenditures reflected in the Corporation's financial statements (note 3 (e))	31,837	–
	31,837	523,244
Advances carried forward to future years	$ (68,163)	$ (100,000)

The Corporation had no outstanding contractual commitments to complete capital improvements at March 31, 2008 or 2007.

12. Grant of service:

The Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of the Manitoba Museum. These expenses amount to $1,604,321 for the year ended March 31, 2008 (2007 - $1,560,702).

13. Financial instruments:

The Corporation's financial instruments consist of cash, term deposits, accounts receivable, amounts recoverable from the Province of Manitoba, accounts payable and accrued liabilities and accrued vacation pay. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The carrying values of the amounts recoverable from the Province approximate their fair value because the annual interest accretion is funded, as described in notes 5(a) and 6.

14. Economic dependence:

The Corporation is economically dependent on funding received from the Province of Manitoba.

15. Comparative figures:

Certain comparative figures for the year ended March 31, 2007 have been reclassified to the financial statement presentation adopted in 2008.

MANITOBA CENTENNIAL CENTRE CORPORATION

Schedule - Operating Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Administration and general:		
Salaries and employee benefits	$ 500,383	$ 459,258
Insurance	103,002	93,411
Telephone and fax	22,464	19,746
Audit and legal	29,592	24,443
Other	96,080	137,706
Marketing	18,300	–
Payroll service	6,480	5,566
	776,301	740,130
Bar and concession operations:		
Salaries and employee benefits	61,075	78,637
Cost of goods sold	91,994	109,244
Other	8,543	6,319
	161,612	194,200
Building services and maintenance:		
Salaries and employee benefits	1,195,623	1,148,174
Utilities	878,128	887,958
Repairs, maintenance and supplies	396,046	439,846
	2,469,797	2,475,978
Host services and special projects:		
Salaries and employee benefits	218,593	223,266
Other	20,101	21,799
	238,694	245,065
Manitoba Production Centre:		
Salaries and employee benefits	9,635	11,632
Administration costs	26,278	35,190
Repairs, maintenance and supplies	19,804	39,361
Property taxes	81,853	81,655
Utilities	83,664	54,107
	221,234	221,945
Parking services:		
Salaries and employee benefits	130,790	126,233
Agency fees and expenses	62,043	53,407
Other	15,061	9,431
	207,894	189,071
Pension (note 6)	502,925	470,480
Security services:		
Salaries and employee benefits	491,343	466,902
Other	15,093	13,502
	506,436	480,404
Stage operations:		
Salaries and employee benefits	289,593	297,179
Repairs, supplies and equipment	57,677	64,699
	347,270	361,878
Total expenses of general fund	5,432,163	5,379,151
Expenses incurred on behalf of the Manitoba Museum (note 12)	1,604,321	1,560,702
Net expenses of general fund	$ 3,827,842	$ 3,818,449

Thomas Tasker Chartered Accountant Inc.

200-960 Portage Avenue
Winnipeg, MB R3G 0R4

Telephone (204) 783-3118
Fax (204) 772-7541

Thomas Tasker, CA

Del Halliday, CMA

AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2008 and the statements changes in net assets and financial activities for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Community Services Council Inc. as at March 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Thomas Tasker

Winnipeg, Manitoba
May 13, 2008

Chartered Accountant

MANITOBA COMMUNITY SERVICES COUNCIL INC.

BALANCE SHEET

MARCH 31, 2008

Assets	2008	2007
Current assets		
Cash	$ 72,080	$ 445,041
Accrued interest	27,315	14,447
GST refund	3,600	5,149
Prepaid expense	6,300	5,554
Guaranteed investment certificates (note 3)	579,275	592,481
	688,570	1,062,672
Guaranteed investment certificates (note 3)	504,605	78,600
Capital assets (note 4)	3,455	9,908
	$ 1,196,630	$ 1,151,180
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 9,701	$ 8,431
Allocations not yet paid (note 9)	359,701	717,410
	369,402	725,841
Net assets		
Invested in capital assets	3,455	9,908
Funds for Priority Area Strategy (note 8)	345,159	-
Funds for future allocation (note 9)	478,614	415,431
	827,228	425,339
	$ 1,196,630	$ 1,151,180

Approved on Behalf of the Board

_____ Director

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	Invested in Capital Assets	Funds for Priority Area Strategy	Funds for Future Allocation	Total 2008	Total 2007
Balance, beginning of year	$ 9,908	$ -	$ 415,431	$ 425,339	$ 412,346
Funds for Priority Area Strategy	-	350,000	-	350,000	-
Excess (deficiency) of revenue over allocations and expenses	(6,453)	(4,841)	63,183	51,889	12,993
Invested in capital assets	-	-	-	-	-
Balance, end of year	$ 3,455	$ 345,159	$ 478,614	$ 827,228	$ 425,339

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Province of Manitoba		
Manitoba Culture, Heritage, Tourism and Sport	$ 1,993,600	$ 1,986,800
Interest	52,949	40,593
	2,046,549	2,027,393
Allocations and expenses		
Administrative expenses		
Bank charges	1,019	1,075
Consulting	3,873	2,164
Consulting - Priority Area Strategy	4,841	-
Computer expense	14,676	15,280
Courier	1,637	1,006
Equipment rental	12,205	8,610
Insurance	4,880	4,868
Meeting costs and volunteer travel	23,421	23,095
Office supplies	12,975	7,422
Postage	3,218	1,694
Professional fees	3,650	3,320
Telephone	5,871	5,797
	92,266	74,331
Amortization	6,453	6,070
Occupancy	28,583	27,804
Salaries and benefits	214,195	219,923
Grant allocations	1,449,256	1,734,972
Grant allocations (recovered)	(146,093)	(48,700)
Funds for Priority Area Strategy	350,000	-
	1,994,660	2,014,400
Excess of revenue over allocations and expenses	$ 51,889	$ 12,993

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2008

1. Incorporation

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Guaranteed investment certificates

Guaranteed investment certificates are carried at cost.

c) Capital assets

Capital asset acquisitions are capitalized in the year of purchase at values equal to cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

Furniture and equipment	20%
Computer equipment	30%
Computer software	50%

d) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Council and when the revenue can be reliably measured.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2008

2. Summary of significant accounting policies, cont'd

e) Measurement uncertainty (use of estimates)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from management's best estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

f) Financial instruments

The company's financial instruments consist of cash, guaranteed investment certificates, accrued interest, accounts payable and allocations not yet paid. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial risk
The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk
Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

Fair value
The fair value of these financial instruments approximate their carrying value due to their short-term maturity.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2008

3. Guaranteed investment certificates

	2008	2007
Due within one year, interest rates of 3.25% to 4.85%	$ 579,275	$ 592,481
Long-term investment certificates, due in October, 2009 and October, 2010, interest rates of 5.3% and 5.35%.	$ 504,605	$ 78,600

4. Capital assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 22,962	$ 22,828	$ 22,962	$ 22,645
Computer equipment	13,842	12,838	13,842	11,204
Computer software	9,270	6,953	9,270	2,317
	$ 46,074	$ 42,619	$ 46,074	$ 36,166
Cost less accumulated amortization		$ 3,455		$ 9,908

5. Provincial funding

The Province of Manitoba has committed funding in the amount of $1,998,800 for the year ended March 31, 2009.

6. Commitment

The Council has leased realty pursuant to a lease agreement, until May 31, 2010. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum base rent payments for the next two years are as follows:

2009	$ 11,854
2010	11,854

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2008

7. Pension plan

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer, defined benefit pension plan, which is accounted for as a defined contribution plan. The Council's pension contribution and expense for the year was $6,679 (2007 - $12,139).

8. Funds for Priority Area Strategy

At the April 24, 2007 meeting of Council, the Mandate Committee presented a Priority Area Strategy, and Council approved the allocation of $350,000 for this plan. The Committee identified three initiatives which were approved by Council.

1. Literacy Replication Project with Indian and Metis Friendship Centers
2. Rural Capacity Building Project
3. Immigrant and Aboriginal Seniors

9. Restatement of 2007 financial statements

In March 2007, the financial statements recorded the recovery of a community grant. The community organization returned the funds to Manitoba Community Services Council Inc. and the receipt was recorded as a recovery. During the current fiscal year the organization was reorganized and the allocation of the original funds were reinstated. The 2007 financial statements have been retroactively restated to correct the error. An adjustment of $19,711 has been made to increase allocations not yet paid and reduce funds held for future allocation as at March 31, 2007.

10. Bingo hall earnings

The Council allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of $819,900 (2007 - $786,300) through participation in bingo events.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporations to the above organizations. These funds are not reflected on the statement of financial activities.

Auditors' Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the balance sheet of MANITOBA DEVELOPMENT CORPORATION as at March 31, 2008 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2008

Manitoba

Competitiveness, Training and Trade
Manitoba Development Corporation
1040 - 259 Portage Avenue
Winnipeg MB R3B 3P4

THE MANITOBA DEVELOPMENT CORPORATION

MANAGEMENT REPORT

James F. Kilgour, C.A.
General Manager

Kristine Seier, CMA
Secretary-Treasurer

Manitoba
spirited energy

MANITOBA DEVELOPMENT CORPORATION
Balance Sheet

For the year ended March 31

	PNP-B	MDC Part I	MDC Part II	2008 Total	2007 Total
ASSETS					
Current Assets					
Cash	$ 527,098	$ 222,816	$ -	$ 749,914	$ 209,397
Cash held in trust	-	-	558,296	558,296	282,947
Short-term investments	10,023,542	4,614,751	-	14,638,293	11,650,100
Accounts receivable (Note 4)	160,923	18,207	-	179,130	466,286
	10,711,563	4,855,774	558,296	16,125,633	12,608,730
Assets Managed for the Province of Manitoba					
Loans receivable (Note 5)	-	-	57,127,380	57,127,380	45,438,714
Equity Investments (Note 6)	-	-	6,441,931	6,441,931	6,621,597
Trust Funds (Note 7)	33,342,643	-	-	33,342,643	26,741,139
	$ 44,054,206	$ 4,855,774	$ 64,127,607	$ 113,037,587	$ 91,410,180
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities					
Accounts payable	$ 581,818	$ 360,322	$ -	$ 942,140	$ 604,896
Funds provided by the Province of Manitoba	-	-	64,127,607	64,127,607	52,343,258
Trust liabilities (Note 7)	33,342,643	-	-	33,342,643	26,741,139
Severance pay benefits (Note 3)	-	-	-	-	102,241
	33,924,461	360,322	64,127,607	98,412,390	79,791,534
Commitments (Note 10)					
Shareholder's Equity					
Share capital - authorized and issued 100 shares at $10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 8)	3,976,157	-	-	3,976,157	4,063,543
Retained earnings	6,153,588	4,494,452	-	10,648,040	7,554,103
	10,129,745	4,495,452	-	14,625,197	11,618,646
	$ 44,054,206	$ 4,855,774	$ 64,127,607	$ 113,037,587	$ 91,410,180

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Retained Earnings

For the year ended March 31

	PNP-B	MDC Part I	MDC Part II	2008 Total	2007 Total
Income					
Interest	$ 1,627,148	$ 279,571	$ 3,973,498	$ 5,880,217	$ 4,647,225
Deposit Retentions (Note 7)	2,250,000	-	-	2,250,000	2,000,079
Recovery of Program Administration Expenses (Note 9)	588,276	-	-	588,276	449,229
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	-	-	(1,877,962)	(1,877,962)	59,681
Provision for decline in value of investments	-	-	331,689	331,689	181,174
Pro-rata share of partnership losses	-	-	2,208,522	2,208,522	576,882
	4,465,424	279,571	4,635,747	9,380,742	7,914,270
Expenses					
Program administration	1,129,552	30,650	-	1,160,202	1,265,312
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	3,973,498	3,973,498	3,077,052
Provision for doubtful accounts (recovery)	-	-	(1,877,962)	(1,877,962)	59,681
Provision for decline in value of investments	-	-	331,689	331,689	181,174
Pro-rata share of partnership losses	-	-	2,208,522	2,208,522	576,882
	1,129,552	30,650	4,635,747	5,795,949	5,160,101
Transfers to the Department of Labour and Immigration (Note 11)	383,800	-	-	383,800	263,044
Transfers to the Department of Competitiveness, Training and Trade (Note 11)	194,442	-	-	194,442	10,000
	1,707,794	30,650	4,635,747	6,374,191	5,433,145
Net income and comprehensive income for the year	2,757,630	248,921	-	3,006,551	2,481,125
Retained earnings, beginning of year	3,308,572	4,245,531	-	7,554,103	4,217,873
Transfer from (to) Restricted Surplus (Note 8)	87,386	-	-	87,386	855,105
Retained earnings, end of year	$ 6,153,588	$ 4,494,452	$ -	$ 10,648,040	$ 7,554,103

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	**$ 3,006,551**	$ 2,481,125
Adjustments for		
Provision for doubtful accounts (recovery)	**(1,877,962)**	59,681
Provision for decline in value of investments	**331,689**	181,174
Pro-rata share of partnership losses	**2,208,522**	576,882
Provision for Deposit Retentions	**(2,250,000)**	(2,000,079)
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	**(662,249)**	(817,737)
	756,551	481,046
Changes in non-cash working capital balances		
Accounts receivable	287,156	(169,317)
Accounts payable	337,244	173,239
	624,400	3,922
Severance pay benefits	(102,241)	102,241
Net cash flow from operating activities	1,278,710	587,209
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	8,655,718	8,270,566
Loans issued	(18,474,996)	(9,021,376)
Change in accrued interest receivable	81,261	(60,694)
Equity investments		
Investments made	(2,360,545)	(2,607,048)
Provincial Nominee Program for Business Trust Funds	(6,601,504)	518,897
	(18,700,066)	(4,899,655)
Funds provided by the Province of Manitoba		
Part II	**12,373,910**	5,546,161
Provincial Nominee Program for Business	**8,851,505**	5,506,457
Net cash flow from investing activities	**2,525,349**	6,152,963
Net increase in cash and cash equivalents	**3,804,059**	6,740,172
Cash and cash equivalents, beginning of year	**12,142,444**	5,402,272
Cash and cash equivalents, end of year	**$ 15,946,503**	$ 12,142,444
Represented by:		
Cash	**$ 749,914**	$ 209,397
Short-term investments	**14,638,293**	11,650,100
Cash held in trust	**558,296**	282,947
	$ 15,946,503	$ 12,142,444

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2008

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

Equity Investments Under Part II

The corporation's equity in investments related to share capital investments are recorded at cost. The corporation's investments in the Vision Capital Fund, CentreStone Vision Fund, Manitoba Capital Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro-rata share of post acquisition earnings. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

An allowance for Equity Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.

Financial Instruments

The corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value because of their short-term maturity of these instruments. The fair value of long-term investments is estimated based on current rates assumed for similar government guaranteed debt of the same maturity.

All transactions related to financial instruments are recorded on a trade date basis.

The corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The corporation's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash, cash held in trust and short-term investments. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets (loans receivable). They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-to-maturity Investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities held as Trust Funds. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Fair values are determined directly by reference to published price quotations in an active market.

Financial Instruments (continued)

Available for Sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprises of all equity investments held by the corporation. Given that the shares in all equity investments do not have a quoted market price in an active market, they are carried at cost. Transaction costs related to available-for-sale investments are expensed as incurred.

Other Financial Liabilities - Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprises trade accounts payable, Funds provided by the Province of Manitoba and trust liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

The financial risk is the risk to the corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The corporation does not participate in derivative financial instrument trading.

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets and the change in the effective portion of a cash flow hedge transaction. The corporation had no other comprehensive income items for the year. Because the corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Operating Losses

Losses under Part I and under Part II of the corporation are the responsibility of the Province and are charged directly against advances received from the Province.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2008

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

Program Administration and Recoveries

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Capital Disclosures - CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently assessing the impact of the new standard.

New Accounting Pronouncements (continued)

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

International Financial Reporting Standards - The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the corporation's financial statements has yet to be determined.

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (The Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

Effective January 19, 2008 Treasury Board provided authority to convert all of the MDC employees into Civil Servants in the departments of Competitiveness Training & Trade and Labour and Immigration. As at March 31, 2008 the Corporation no longer had any regular staff positions.

2. Change in Accounting Policy

On April 1, 2007, the corporation retroactively adopted, without restatement of prior periods, CICA Handbook Section 1530, "Comprehensive Income", Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the corporation's statement of operations and retained earnings.

3. Severance Pay Benefits

Upon transfer of employees back to the Province on January 19, 2008, accumulated severance pay obligations were returned to the Province of Manitoba for its employees.

4. Accounts Receivable

	2008	2007
Province of Manitoba	$ -	$ 292,901
Other	86,013	37,786
Accrued Interest	93,117	135,599
	$ 179,130	$ 466,286

5. Loans Receivable Managed for the Province of Manitoba Under Part II

	2008	2007
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	$ 55,652,594	$ 57,580,865
- Forgivable	-	2,080,427
	55,652,594	59,661,292
Other Loans Receivable		
International Education Incentive Loan	50,000	-
Other	11,100,000	-
	11,150,000	-
	66,802,594	59,661,292
Less: Allowance for forgiveness	-	(2,080,427)
Allowance for doubtful accounts	(9,675,214)	(12,142,151)
	(9,675,214)	(14,222,578)
	$ 57,127,380	$ 45,438,714

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2008	2007
2008	$ -	$ 5,808,576
2009	3,818,578	5,012,941
2010	8,006,916	9,073,933
2011	13,625,884	13,144,752
2012	14,242,146	-
Subsequent to 2012	-	15,313,763
2013	2,620,335	-
Subsequent to 2013	13,140,841	8,947,745
Accrued interest	197,894	279,155
	55,652,594	57,580,865
Allowance	(9,675,214)	(12,142,151)
	$ 45,977,380	$ 45,438,714

5. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2008	2007
Nil	$ 2,104,255	$ 2,714,868
Greater than Nil, less than 5%	24,562,006	29,730,537
5% or greater, less than 6%	15,996,077	16,203,010
6% or greater, less than 7%	4,967,708	6,636,628
7% or greater, less than 8%	3,466,667	2,016,667
8% or greater, less than 9%	3,308,425	-
9% or greater, less than 10%	1,049,562	-
Accrued interest	197,894	279,155
	55,652,594	57,580,865
Allowance	(9,675,214)	(12,142,151)
	$ 45,977,380	$ 45,438,714

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

On March 31, 2008 the Province authorized the disbursement of an $11,100,000 loan in regard to the Canadian Human Rights Museum. The loan bears no interest and is repayable by installments equal to the the amounts received from the Government of Canada in respect of the Museum under the Payments in Lieu of Taxes Act, R.S.C. 1985 c. M-13.

In exchange for contractual obligations which normally commit debtor companies to create and maintain jobs, the Corporation has provided forgivable loans. A portion of these loans is normally forgiven annually subject to the Corporation's confirmation that jobs have been created and maintained. Forgivable loans together with projected timing of forgiveness are as follows:

	2008	2007
Forgivable within 2 years	$ -	$ 2,080,427

6. Equity Investments Managed for the Province of Manitoba Under Part II

	2008	2007
Share capital investments		
Faneuil ISG Inc.	$ 1	$ 1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	1,863,850	300,000
CentreStone Vision Fund	1,842,397	1,709,408
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,745,703	1,731,997
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,800,000	5,150,000
Vision Capital Fund	1	1
	18,615,151	16,254,606
Less:		
Allowance for decline in value of investments	(9,869,129)	(9,537,440)
Pro-rata share of partnership losses	(2,304,091)	(95,569)
	(12,173,220)	(9,633,009)
	$ 6,441,931	$ 6,621,597

The investment in preference shares of Faneuil ISG Inc. has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

7. Trust Funds / Liabilities - Provincial Nominee Program for Business

	2008	2007
Gross Trust Liabilities	**$ 33,342,643**	$ 26,741,139

The Corporation, Manitoba Competitiveness, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2008, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $33,342,643 (2007 - $26,741,139). Interest earned on these deposits during the year and retained by the Corporation totaled $1,627,148 (2007 - $1,186,813). Actual deposits retained during the year amounted to $2,350,000 (2007 - $2,275,079) and are presented net of an allowance adjustment of $100,000 (2007 - $275,000).

8. Restricted Surplus

The Province of Manitoba has directed that the balance of restricted retained earnings for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings.

9. Recovery of Program Administration Expenses and Related Party Transactions

The Corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following three sources.

	2008	2007
Departmental appropriations - Competitiveness, Training and Trade	$ 217,502	$ 217,541
Manitoba Opportunities Fund Ltd.	350,604	210,343
Participants Program	20,170	21,345
	$ 588,276	$ 449,229

The Manitoba Opportunities Fund Ltd. also provided a recovery of $83,186 (2007 - $77,077) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

10. Commitments

Commitments and undisbursed balances of approved loans and equity investments under Part II:

	2008	2007
Manitoba Industrial Opportunities Program	$ 4,748,797	$ 14,700,192
Manitoba Science & Technology Fund	754,297	768,003
Canterbury Park Capital	8,136,150	9,700,000
CentreStone Venture Fund Limited	2,947,650	3,290,592
Manitoba Capital Fund	353,334	353,334
Western Life Sciences Venture Fund LLP	-	650,000
	$ 16,940,228	$ 29,462,121

11. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2008	2007
Department of Labour and Immigration	$ 383,800	$ 263,044
Department of Competitiveness, Training and Trade	194,442	10,000
	$ 578,242	$ 273,044

12. Financial Instruments

The carrying amounts of PNP-B and Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

13. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's presentation.

Management's Responsibility

To the Board of Directors of MANITOBA FILM & SOUND Recording Development Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors and the Finance and Planning Committee are composed entirely of directors who are neither management nor employees of the Company. The Finance and Planning Committee also undertakes the responsibilities of an Audit Committee. The Finance and Planning Committee is appointed by the Board to review the financial statements in detail with management and to recommend them to the Board prior to their approval of the financial statements for publication.

External auditors are appointed to audit the financial statements and report directly to the Finance and Planning Committee; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the management and the Finance and Planning Committee to discuss their audit findings.

Carole Vivier, CEO
April 30, 2008

Auditors' Report

To the Board of Directors of MANITOBA FILM & SOUND Recording Development Corporation

We have audited the balance sheet of MANITOBA FILM & SOUND Recording Development Corporation as at March 31, 2008 and the statements of revenues and expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba, April 30, 2008

Meyers Norris Penny LLP

Chartered Accountants
April 30, 2008

Balance Sheet

As at March 31, 2008	2008	2007
ASSETS		
Current		
Cash (Note 4)	$ 1,877,711	$ 1,602,748
Accounts receivable	2,164	24,173
Prepaid expenses	28,788	21,600
Inventory	7,094	5,921
	1,915,757	1,654,442
Capital Assets (Note 5)	61,166	63,218
	$ 1,976,923	$ 1,717,660
LIABILITIES		
Current		
Accounts payable	$ 73,009	$ 46,631
Deferred revenue (Note 6)	41,500	149,000
Carry-over commitments (Note 7)	1,183,898	1,037,208
	$ 1,298,407	$ 1,232,839
Net assets (Note 8)		
Invested in capital assets	$ 61,166	$ 63,218
Unrestricted	617,350	421,603
	678,516	484,821
	$ 1,976,923	$ 1,717,660

Director

Director

Statement of Revenues and Expenses and Net Assets

For the year ended March 31, 2008	2008	2007
REVENUE		
Province of Manitoba funding	$ 3,385,200	$ 3,173,700
Interest income	84,762	73,994
Program recoupments	382,671	167,766
Other income	9,998	17,220
Total Revenues	$ 3,862,631	$ 3,432,680
EXPENSES		
Film and Television Programs Funding		
Development Financing Programs	$ 122,050	$ 65,818
Production Financing Programs	1,634,807	1,509,345
Access to Markets Program	30,000	30,000
Emerging Talent Matching Funds Program	50,000	27,500
Feature Film Marketing Program	7,162	-
Portfolio Investment Envelope Program	-	(30,000)
	$ 1,844,019	$ 1,602,663
SOUND PROGRAMS FUNDING		
Sound Recording Production Fund Level I	$ 33,796	$ 50,315
Sound Recording Production Fund Level II	41,100	-
Sound Recording Production Fund Level III	165,435	186,800
Sound Recording Production Fund – Out of Province Artists	21,738	20,000
Music Video Fund	58,440	24,000
Record Product Marketing Support Fund	94,170	78,643
Recording Artist Touring Support Fund	117,203	96,391
Portfolio Investment Envelope Program	-	6,000
Market Access Fund	30,000	30,000
	$ 561,882	$ 492,149
INDUSTRY SUPPORT		
Film		
Industry Associations (Note 9)	$ 87,000	$ 71,000
Sponsorships/Partnerships	47,219	70,018
Sound Recording		
Industry Associations (Note 9)	75,000	75,000
Sponsorships/Partnerships	35,255	28,115
	$ 244,474	$ 244,133
FILM COMMISSION/LOCATIONS SERVICES	$ 343,611	$ 321,237
Programs Delivery (Note 11)		
Salaries	$ 332,613	$ 337,680
Marketing/Operating	149,605	77,002
	$ 482,218	$ 414,682
Administrative Expenses		
Salaries	$ 107,951	$ 109,919
Marketing/Operating	84,781	76,616
	$ 192,732	$ 186,535
Total Expenses	$ 3,668,936	$ 3,261,399
Excess of Revenues over Expenses	$ 193,695	$ 171,281
Net Assets, Beginning of Year	484,821	313,540
Net Assets, End of Year	$ 678,516	$ 484,821

Statement of Cash Flows

For the year ended March 31, 2008	2008	2007
Cash Provided By (Used For) The Following Activities		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 193,695	$ 171,281
Amortization	17,589	16,655
	211,284	187,936
CHANGES IN WORKING CAPITAL ACCOUNTS		
Accounts receivable	22,009	(11,095)
Carry-over commitments	146,690	(259,778)
Inventory	(1,173)	(2,872)
Prepaid expenses	(7,188)	(93)
Accounts payable	26,378	3,953
Deferred revenue	(107,500)	4,000
	79,216	(265,885)
	$ 290,500	$ (77,949)
INVESTING ACTIVITIES		
Purchases of capital assets	$ (15,537)	$ (14,437)
Increase (Decrease) in Cash Resources	274,963	(92,386)
Cash Resources, Beginning of Year	1,602,748	1,695,134
Cash Resources, End of Year	$ 1,877,711	$ 1,602,748

1. NATURE OF BUSINESS

Manitoba Film & Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through The Manitoba Film & Sound Recording Development Corporation Act. The chief objective of the Corporation is to foster growth of the Manitoba Film & Sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost or net realizable value.

Equipment

Equipment is recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website/Database	30%
Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

The Corporation provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

a) Program Recoupment - Any recovery of principal or return on investment of programs funded is recorded as program recoupment when received or reported by the applicant.

b) Province of Manitoba Funding - Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Corporation and is recorded as revenue when received.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of equipment is provided based on the Corporation's estimated useful lives of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Financial Instruments

Held for trading:
The Corporation has classified cash as held for trading. This instrument is initially recognized at fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:
The Corporation has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value are recognized in net income upon impairment.

Other financial liabilities:
The Corporation has classified accounts payable as other financial liabilities. These liabilities are initially recorded at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition.

3. CHANGE IN ACCOUNTING POLICIES

Financial Instruments

During 2007, the Corporation retroactively adopted new presentation and disclosure recommendations with respect to financial instruments. The adoption of the standard resulted in no change to the comparative financial statements.

4. CASH

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

5. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website/Database	$ 33,290	$ 19,629	$ 13,661	$ 11,120
Computer equipment	87,139	75,308	11,831	13,151
Furniture	50,762	49,748	1,014	2,049
Leasehold improvements	53,700	21,206	32,494	35,137
Equipment	6,196	4,030	2,166	1,761
	$ 231,087	$ 169,921	$ 61,166	$ 63,218

6. DEFERRED REVENUE

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year. These funds consist of:

	2008	2007
Sound Portfolio Investment Envelope Program	$ 21,500	$ 51,500
Film Portfolio Investment Envelope Program	20,000	97,500
	$ 41,500	$ 149,000

7. CARRY-OVER COMMITMENTS

Due to lead times required to obtain all the resources necessary to complete film, video and sound recording projects, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2008 and prior years, which were not fully advanced as at March 31, 2008 are as follows:

	Year of Commitment			Total	
	07/08	06/07	Prior	2008	2007
FILM					
Development Financing Programs	$ 82,010	$ 5,510	$ -	$ 87,520	$ 29,839
Production Financing Programs	716,264	38,386	34,944	789,594	724,702
Access to Markets Program	3,000	-	-	3,000	3,000
Emerging Talent Matching Funds	9,000	2,750	-	11,750	8,050
Feature Film Marketing Program	7,162	-	-	7,162	-
Portfolio Investment Envelope	-	-	33,750	33,750	42,500
Industry Support	27,900	1,200	-	29,100	7,350
	$ 845,336	$ 47,846	$ 68,694	$ 961,876	$ 815,441
SOUND					
Sound Recording Production Fund - I	$ 7,577	$ -	$ -	$ 7,577	$ 15,680
Sound Recording Production Fund - II	25,800	-	c	25,800	-
Sound Recording Production Fund - III	76,250	19,500	500	96,250	141,242
Sound Recording – Out of Province Artists	16,738	5,000	-	21,738	20,000
Record Product Marketing Fund	32,166	3,752	-	35,918	24,195
Recording Artist Touring Fund	4,839	1,400	-	6,239	8,650
Music Video Fund	16,500	-	-	16,500	-
Portfolio Investment Envelope	-	-	9,000	9,000	9,000
Market Access Fund	3,000	-	-	3,000	3,000
	$ 182,870	$ 29,652	$ 9,500	$ 222,022	$ 221,767
	$ 1,028,206	$ 77,498	$ 78,194	$ 1,183,898	$ 1,037,208

Balance, beginning of year	$ 63,218	$ 421,603	$ 484,821	$ 313,540
Excess (deficiency) of revenues over expenses	(17,589)	211,284	193,695	171,281
Investment in capital assets	15,537	(15,537)	-	-
Balance, end of year	$ 61,166	$ 617,350	$ 678,516	$ 484,821

Unrestricted assets are comprised of current and prior years' project revenue recoupments that are allocated to future years' programming and program delivery budgets.

The Corporation indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and sound recording professionals by providing funding for specific programming administered by MARIA, On Screen Manitoba, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include the Aboriginal Music Program, Features First, Drama Prize, Totally Television, Global Marketing, New Voices, NSI Storytellers, Post-Production and Marketing funds.

The Corporation occupies leased premises subject to minimum monthly rent of $4,856 until August 2009 plus various equipment leases with quarterly payments until March 2012. Future minimum annual payments as are follows:

2009	66,389	2010	32,194	2011	7,305	2012	7,305

Programs delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program (MTC). While the value of the MTC does not flow through the Corporation, the delivery of it does and is therefore determined to be worth noting. A total of 110 applications were received for processing during the 2008 fiscal year (2007-86), representing in excess of $195 million worth of production activity (2007 - $191 million). Production activity includes projects which took place in current and prior years. The tax credits are subject to approval by the Province of Manitoba.

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 15, 2008.

Chartered Accountants

Manitoba Floodway Authority
Balance Sheet
As at March 31, 2008

	2008	2007
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	$ 23,035,695	$ 24,926,873
Due from the Province of Manitoba (Note 3b)	4,920,408	-
Total Assets	$ 27,956,103	$ 24,926,873
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 26,760,828	$ 20,139,276
Interest payable	1,195,275	1,359,686
Due to the Province of Manitoba (Note 3b)	-	3,427,911
	27,956,103	24,926,873
Total Liabilities	$ 27,956,103	$ 24,926,873

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Schedule 1

Manitoba Floodway Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2008

	2008	2007
Funding from the Province of Manitoba (Note 4)	$149,945,209	$ 145,664,474
Capital Expenditures by Component (Note 4):		
Administration	3,478,215	3,320,730
Aqueduct Modifications	95,708	9,026,237
Contract Administration	8,508,403	6,380,899
Environmental Mitigation	2,915,351	219,532
Final Design	2,425,720	8,963,737
Floodway Channel	52,360,025	47,577,004
Inlet Structure	6,225,555	372,798
Insurance	134,720	251,014
Interest	1,195,275	1,359,686
Land	333,018	342,334
Miscellaneous Drainage Structures	818,928	-
Outlet Structure	10,718,557	-
Railway Bridges	27,899,018	25,027,536
Roadway Bridges	9,874,930	34,480,909
Utility Relocations	4,697,705	1,241,815
West Dike	18,264,081	7,100,243
	149,945,209	145,664,474
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Operations
Year ended March 31, 2008

	2008	2007
Expenses		
Salaries and Benefits	$ 2,666,554	$ 2,609,267
Other Operating Expenses		
Transportation	226,138	125,404
Communications	214,462	176,624
Supplies and Services	895,896	816,814
Minor Capital	12,487	24,899
Other Operating	337,543	257,234
	1,686,526	1,400,975
Total Expenses	4,353,080	4,010,242
Recoveries		
Capital Assets under Construction on behalf of the Province of Manitoba (Schedule 1)	3,478,215	3,320,730
Operating Grants (Note 5)	874,865	689,512
	4,353,080	4,010,242
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	(402,104)	171,667
Accounts payable and accrued liabilities	(10,018)	(67,559)
Cash provided by (used in) operating transactions	(412,122)	104,108
Financing transactions		
Due to the Province of Manitoba	(7,946,215)	(7,769,243)
Capital transactions		
Capital assets constructed on behalf of the Province	(149,945,209)	(145,664,474)
Net changes in non-cash working capital balances related to capital		
Accounts receivable - Province of Manitoba	-	791,027
Accounts payable and accrued liabilities	6,631,570	8,265,277
Interest payable	(164,411)	1,186,080
Contributions related to capital assets	149,945,209	145,664,474
Cash applied to capital transactions	6,467,159	10,242,384
Increase (decrease) in funds on deposit with Minister of Finance	$ (1,891,178)	$ 2,577,249
Funds on deposit with Minister of Finance, beginning of year	24,926,873	22,349,624
Funds on deposit with Minister of Finance, end of year	$ 23,035,695	$ 24,926,873

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2008

Schedule 2

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2008 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority -					
Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	$ 9,854,899	$ 4,658,228	$ 5,196,671	$ -	$ 5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	$ 58,274,527	$ 28,842,008	$ 29,432,519	$ -	$ 29,432,519

Schedule 2
(con't)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2008

	Cost	Accumulated Amortization	2008 Net Book Value
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007	$ 145,664,474	$ -	$ 145,664,474
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2008	$ 149,945,209	$ -	$ 149,945,209

Note: Due to changes in public sector accounting standards in 2007, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets.

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $106,520 (2007 - $102,660).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to/from the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of $5 million has been established. At March 31, 2008, there were no advances outstanding.

b) Due to/from the Province of Manitoba

In addition, the Authority may receive interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2008, $4,920,408 was receivable from the Province of Manitoba (2007 - $3,427,911 payable to the Province of Manitoba).

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2008 and 2007 are as follows:

	2008	2007
Administration	$ 3,478,215	$ 3,320,730
Aqueduct Modifications	95,708	9,026,237
Contract Administration	8,508,403	6,380,899
Environmental Mitigation	2,915,351	219,532
Final Design	2,425,720	8,963,737
Floodway Channel	52,360,025	47,577,004
Inlet Structure	6,225,555	372,798
Insurance	134,720	251,014
Interest	1,195,275	1,359,686
Land	333,018	342,334
Miscellaneous Drainage Structures	818,928	-
Outlet Structure	10,718,557	-
Railway Bridges	27,899,018	25,027,536
Roadway Bridges	9,874,930	34,480,909
Utility Relocations	4,697,705	1,241,815
West Dike	18,264,081	7,100,243
Total	**$149,945,209**	**$145,664,474**

Note 5 - Transactions related to Operations and Capital

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of $73,850,682 (2007 - $71,876,877) are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $475,337 (2007 - $346,660) related to operating expenses were reflected in the operations of the Authority. In addition, $399,528 (2007 - $342,852) of operating grants were received as government transfers under the shared cost agreement and were recorded as revenue of the Authority.

Note 6 – Contractual Obligations

As an agent of the Province of Manitoba, the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total $83,429,659 at March 31, 2008 (2007 - $96,453,102).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next year is as follows:

2009	$ 151,705

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 – Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

An individual accident claim is pending filing against the Authority. As the outcome of this matter is not determinable and amounts are not reasonably estimable at this time, liabilities have not been recorded in the financial statements.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2008, and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 30, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA GAMING CONTROL COMMISSION
Balance Sheet

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 100,014	$ 46,070
Short-term investments	3,060,754	3,230,478
Accounts receivable (Note 3)	33,134	38,987
Prepaid expenses	29,279	27,281
Receivable – Province of Manitoba (Note 6)	146,079	
	3,369,260	3,342,816
Long Term Receivable – Province of Manitoba (Note 6)		146,079
Capital Assets (Note 4)	389,452	416,193
	$ 3,758,712	$ 3,905,088
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	$ 460,075	$ 521,812
Deferred revenue (Note 5)	1,922,525	1,915,391
Deferred lease inducements (Note 7)		6,125
	2,382,600	2,443,328
Provision for employee severance benefits (Note 6)	487,562	167,739
Provision for employee pension benefits (Note 10)	45,401	61,638
	2,915,563	2,672,705
Surplus	843,149	1,232,383
	$ 3,758,712	$ 3,905,088

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Surplus

For the year ended March 31	2008	2007
Revenue		
Registration fees	$ 3,551,045	$ 3,539,404
License fees	923,627	993,847
	4,474,672	4,533,251
Expenses		
Salaries and benefits	3,734,705	3,434,808
Rent	264,989	211,418
Legal and professional fees	159,523	364,237
Transportation	133,100	140,920
Amortization	103,866	105,069
Communications	102,705	104,056
Supplies and services	102,592	114,493
Education, training, and conference	100,186	104,624
Public Education	91,136	95,069
First Nations legal and professional	51,166	47,919
Commission Board	49,183	59,985
Accommodations	35,085	45,915
HR/Systems support	26,276	21,301
Other expenses	11,894	51,823
	4,966,406	4,901,637
Income (loss) before other items	(491,734)	(368,386)
Other Items		
Interest income	70,986	86,604
Other income	31,514	17,807
	102,500	104,411
Excess revenue (expenses) and comprehensive income (loss)	(389,234)	(263,975)
Surplus, beginning of year	1,232,383	1,496,358
Surplus, end of year	$ 843,149	$ 1,232,383

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenses	$ (389,234)	$ (263,975)
Items not involving cash		
Amortization of capital assets	103,866	105,069
Amortization of capital assets related to the Commission Board	2,001	2,024
	(283,367)	(156,882)
Changes in non-cash working capital balances		
Accounts receivable	5,853	(11,460)
Prepaid expenses	(1,998)	(8,449)
Accounts payable and accrued liabilities	(61,737)	167,415
Deferred revenue	7,134	13,721
Deferred lease inducements	(6,125)	(10,500)
Provision for employee severance benefits	319,823	2,773
Provision for employee pension benefits	(16,237)	10,439
	(36,654)	7,057
Cash Flows from Investing Activities		
Purchase of capital assets	(79,126)	(112,822)
Increase (decrease) in cash and cash equivalents during the year	(115,780)	(105,765)
Cash and cash equivalents beginning of year	3,276,548	3,382,313
Cash and cash equivalents end of year	$ 3,160,768	$ 3,276,548
Represented by		
Cash	$ 100,014	$ 46,070
Short-term investments	3,060,754	3,230,478
	$ 3,160,768	$ 3,276,548

The accompanying notes are an integral part of these financial statements.

1. Nature of Business

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b. New Accounting Policies

Effective April 1, 2007 the Manitoba Gaming Control Commission (MGCC) adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the MGCC has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the MGCC s financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The MGCC has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the MGCC has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The MGCC is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The MGCC has designated its financial instruments as follows:

Cash and short term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the MGCC's financial statements for the year ended March 31, 2008.

c. Financial Instruments

The MGCC's financial instruments consist of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the MGCC is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

d. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

f. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis

g. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

3. Accounts Receivable

	2008	2007
Trade	$ 34	$ 5,897
Manitoba Lotteries Corporation	16,950	14,900
First Nations Casinos	2,100	4,250
Employee Advances	11,917	11,917
Supplier Investigations	2,133	2,023
	$ 33,134	$ 38,987

4. Capital Assets

2008

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 67,270	$ 56,219	$ 11,051
Furniture and fixtures	398,712	207,434	191,278
Computer equipment	1,008,612	821,489	187,123
	$ 1,474,594	$ 1,085,142	$ 389,452

2007

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 66,362	$ 53,627	$ 12,735
Furniture and fixtures	360,360	187,376	172,984
Computer equipment	1,020,977	790,503	230,474
	$ 1,447,699	$ 1,031,506	$ 416,193

5. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. Provision for Employee Severance Benefits

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the triennial actuarial report of severance obligations as at March 31, 2008.

During the last collective bargaining session it was negotiated that effective April 1, 2007 all employees would be eligible for severance pay benefits. Accordingly, a one-time set-up cost of $304,313 to record this liability as at March 31, 2008 is reflected in the current provision. There is no associated receivable from the Province in conjunction with this increased

severance liability.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay liabilities. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities. Accordingly, this receivable is classified as current.

7. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $6,125 for the period ending March 31, 2008 ($10,500 in 2007). The inducement has now been fully depleted.

8. Commitments

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2009	259,297
2010	266,076
2011	272,855
2012	281,329
2013	291,497

9. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees. The Manitoba Lotteries Corporation is related to the Commission through common ownership by the Province of Manitoba. The registration fees are recorded at the amount prescribed by MGCC regulation.

10. Pension Plans

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Commission are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Commission is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Commission has no further pension liability.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the triennial actuarial report of pension obligations as at March 31, 2008, a reserve of $45,401 has been established as a pension liability for these employees.

Actuarial gains and losses are recognized in income immediately.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $165,865. Contributions for the 2007 year were $156,027.

11. Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

THE MANITOBA HABITAT HERITAGE CORPORATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and, of necessity, include some amounts based upon management's best estimate and judgements up to June 6, 2008.

The responsibility of the Auditor General and staff is to express an independent opinion on whether these financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's report outlines the scope of the auditor's examination and provides the audit opinion.

Chief Executive Officer

Manager of Financial Services

June 6, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of the Manitoba Habitat Heritage Corporation as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 6, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2008
(with comparative figures for 2007)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2008	2007
ASSETS						
Current Assets						
Cash	$ 144,298	$ 12,200			$ 156,498	$ 445,257
Funds on deposit with Province of Manitoba (Note 5)	171,915	140,938	$ 227,946		540,253	332,542
Accounts receivable						
Government of Canada	125,764	119,749			245,513	275,236
Province of Manitoba	1,461	124,736	293,854		419,941	30,990
Delta Waterfowl Foundation	19,586				19,586	41,306
Other	13,958				13,958	2,188
Manitoba Agro Woodlot Program	17,431				17,431	68,159
Due from Riparian Program	52,767			$ (52,767)		
Prepaid expenses	34,001				34,001	33,006
	580,544	397,604	521,800	(52,767)	1,447,181	1,228,684
Capital Assets (Note 6)			7,189,531		7,189,531	6,330,349
Trust Assets (Note 13)					1,260,654	1,016,846
TOTAL ASSETS	$ 580,544	$ 397,604	$ 7,711,331	$ (52,767)	$ 9,897,366	$ 8,575,879
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	$ 125,793	$ 18,330	$ 84,178		$ 228,301	$ 146,296
Due to North American Waterfowl Management Plan		52,767		$ (52,767)		
Deferred contributions related to operations (Note 7)		268,514			268,514	237,107
Deferred contributions related to capital assets (Note 8)			521,531		521,531	314,125
	125,793	339,611	605,709	(52,767)	1,018,346	697,528
FUND BALANCES						
Invested in Capital Assets			7,105,622		7,105,622	6,301,094
Unrestricted	454,751	47,993			512,744	560,411
Trust Liabilities (Note 13)					1,260,654	1,016,846
TOTAL LIABILITIES & FUND BALANCES	$ 580,544	$ 397,604	$ 7,711,331	$ (52,767)	$ 9,897,366	$ 8,575,879

On Behalf of the Board:

Director _____ Director _____

The accompanying notes are an integral part of these financial statements

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2008
(with comparative figures for 2007)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2008	2007
REVENUE						
Government of Canada contributions	$ 324,520	$ 208,300			$ 532,820	$ 451,494
Province of Manitoba contributions	645,000	91,993			736,993	683,412
Highways Mitigation Fund, Province of Manitoba						61,670
Contributed services, Province of Manitoba	81,209	17,699			98,908	91,668
Delta Waterfowl Foundation	19,586				19,586	116,459
Donations	250				250	278
Interest income	8,178	3,704			11,882	6,816
Other	31,654				31,654	33,984
Management fees (Note 14)	158,381			$ (99,032)	59,349	50,332
	1,268,778	321,696		(99,032)	1,491,442	1,496,113
EXPENSES						
Amortization of capital assets			$ 33,409		33,409	30,664
Service delivery - Schedule 1	1,296,272				1,296,272	1,252,603
- Schedule 2		311,561		(99,032)	212,529	166,029
	1,296,272	311,561	33,409	(99,032)	1,542,210	1,449,297
Excess (deficiency) of revenue over expenses	(27,494)	10,135	(33,409)		(50,768)	46,817
FUND BALANCES						
Fund balances, beginning of year	522,553	37,858	6,301,094		6,861,505	5,676,082
Investment in capital assets			778,929		778,929	866,006
Donated land and land use rights			28,700		28,700	272,600
Interfund transfers (Note 9)	(30,308)		30,308			
Fund balances, end of year	$ 464,751	$ 47,993	$ 7,105,622		$ 7,618,366	$ 6,861,505

The accompanying notes are an integral part of these financial statements.

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows
for the year ended March 31, 2008
(with comparative figures for 2007)

	Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2008	2007
OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenses	$ (27,444)	$ 10,135	$ (33,409)		$ (50,768)	$ 46,817
Amortization of capital assets			33,409		33,409	30,664
Net change in non-cash working capital	(65,259)	63,650			(1,609)	10,846
Increase in deferred contributions related to operating activities		31,407			31,407	170,000
Net cash used in operating activities	(92,753)	105,192			12,439	258,327
FINANCING AND INVESTING ACTIVITIES						
Purchase of capital assets			(30,308)		(30,308)	(42,759)
Net change in accounts receivable for acquisition of land rights			(265,354)		(265,354)	(28,500)
Received restricted grants for purchase of land rights			778,929		778,929	866,006
Acquisition of land rights with restricted grants			(833,584)		(833,584)	(840,500)
Net change in accounts payable for acquisition of land rights			49,424		49,424	(38,066)
Increase in deferred contributions related to capital assets			207,406		207,406	12,620
Received donation of land and land rights			28,700		28,700	272,600
Acquisition of donated land and land rights			(28,700)		(28,700)	(272,600)
Net cash used in financing and investing activities			(93,487)		(93,487)	(71,199)
Net increase (decrease) in cash	(92,753)	105,192	(93,487)		(81,048)	187,128
Cash and cash equivalents, beginning of year	438,727	47,947	291,125		777,799	590,671
Interfund transfers	(30,308)		30,308			
Cash and cash equivalents, end of year	$ 315,666	$ 153,139	$ 227,946		$ 696,751	$ 777,799
Cash and cash equivalents consist of						
Cash	$ 144,298	$ 12,200			$ 156,498	$ 445,257
Funds on deposit with Province of Manitoba	171,368	140,939	$ 227,946		540,253	332,542
	$ 315,666	$ 153,139	$ 227,946		$ 696,751	$ 777,799

The accompanying notes are an integral part of these financial statements

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (hereinafter called "the Corporation") was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January, 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002-03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006-07 it was changed to the Riparian Program to reflect the broadening of the program activities.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Management fees are recognized as revenue in the year the service is provided.

b) Capital Assets

The Capital Assets Fund reports the Corporation's capital assets and related amortization expenses.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair market value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	- 20%
Computer software	- 33%
Equipment	- 10%
Furniture and fixtures	- 10%

d) Contributed Services

Services are contributed by the Province of Manitoba's Department of Water Stewardship, Ecological Services Division. Contributed services are recorded at cost, which is fair value.

e) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. New Accounting Policies

a) Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings. This financial asset is recorded at a carrying value that approximates its fair value.

Funds on Deposit with Province of Manitoba are classified as held to maturity. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

3. New Accounting Policies (continued)

b) Financial Instruments

The Corporation's financial instruments consist of cash, Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

4. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of those risks. This change in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

The CICA has also issued a new standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This change in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

5. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature between April 25, 2008, and May 5, 2008, yielding 3.7% and 3.45% respectively.

6. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2008	2007
Land and land use rights	$ 7,081,203		$ 7,081,203	$ 6,218,578
Computer hardware	227,122	$ 173,481	53,641	53,626
Computer software	65,300	50,101	15,199	13,766
Equipment	98,326	62,321	36,005	37,990
Furniture and fixtures	56,796	53,313	3,483	6,389
Total capital assets	$ 7,528,747	$ 339,216	$ 7,189,531	$ 6,330,349

Purchases of capital assets in the period are as follows:

	2008	2007
Land and land use rights	$ 862,624	$ 1,113,369
Computer hardware	18,421	24,505
Computer software	8,412	11,760
Equipment	3,135	5,813
Furniture and fixtures		413
	$ 892,592	$ 1,155,860

The sources of funding for land and land use rights are as follows:

	2008	2007
Environment Canada	$ 298,980	$ 291,438
Delta Waterfowl Foundation	356,911	376,070
Manitoba Water Stewardship	54,938	109,158
Manitoba Infrastructure and Transportation		33,310
Manitoba Conservation Districts	23,310	30,525
Manitoba Conservation	340	268
Wildlife Habitat Canada	99,445	
Donations	28,700	272,600
	$ 862,624	$ 1,113,369

7. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods.

Changes in the deferred contributions balance reported in the respective funds are as follows:

			2008	2007
	NAWMP	RP	Total	Total
Balance, beginning of year		$ 237,107	$ 237,107	$ 67,107
Less: revenue recognized in the year		(91,993)	(91,993)	(10,000)
Add: revenue received related to the following year		123,400	123,400	180,000
Balance, end of year		$ 268,514	$ 268,514	$ 237,107

Riparian Program

The balance of $67,107, originating from the Manitoba Rural Adaptation Council, is restricted for riparian conservation and enhancement activities. The balance of $58,007 is restricted to the Watershed Management Planning Program. The balance of $23,400 is for the Riparian Assessment Project and the remainder of $120,000 is restricted for the delivery of riparian easements.

8. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased. When the land and land use rights are purchased the related restricted contributions will be transferred from deferred contributions related to capital assets to the Capital Assets Fund balance.

Changes in the deferred contributions balance in the Capital Assets Fund are as follows:

	NAWMP	RP	2008 Total	2007 Total
Balance, beginning of year	$ 147,757	$ 166,368	$ 314,125	$ 301,505
Add: Contributions received	75,255	200,000	275,255	249,738
Add: Interest Earned	5,186		5,186	7,185
Less: Amounts refunded				(6,063)
Less: Amounts transferred to the Balance	(18,996)	(54,999)	(73,035)	(229,238)
Balance, end of year	$ 210,102	$ 311,429	$ 521,531	$ 314,125

The balance of $521,531 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The contributions received in 2008 totaled $275,255 consisting of, $228,445 from the Province of Manitoba and $46,810 from the Turtle Mountain Conservation District. In comparison the contributions received in 2007 included, $220,088 from the Province of Manitoba of which $6,063 was returned, and $20,650 from the Turtle Mountain Conservation District.

9. Interfund Transfers

In 2008, $30,308 was transferred from the NAWMP operating funds to the Capital Asset fund in order to fund the cash outlays for capital asset acquisitions. No money was transferred from the RP operating funds for capital purchases this fiscal year. In 2007 $41,566 was transferred from NAWMP and $1,193 from RP for the same purpose.

10. Operational Commitments

a) The Corporation leases space under existing leases for six NAWMP offices. The minimum annual lease payments for the next two years are as follows:

2009	$70,436
2010	$51,507

b) The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next two years are as follows:

2009	$12,263
2010	$7,478

11. Capital Commitments

At March 31, 2008, the NAWMP and RP had signed several commitments to purchase Conservation Agreements. These Conservation Agreements are to be paid out upon filing of the caveats associated with each Conservation Agreement in the 2009 fiscal year. These commitments totaled approximately $238,532.

12. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees. The amounts paid by the Corporation in 2008 were $22,194 (2007 - $21,097). All funds contributed to the RPP are paid to and administered by Manulife Financial.

13. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	$ 667,374	$ 423,566
Land	593,280	593,280
	$1,260,654	$1,016,846

Details relating to the parties involved and the assets held are included in notes (a) to (f) which follow.

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the CWHP.

The Corporation holds title in trust to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements from the funds held in trust are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	$278,458	$154,323
Land Portfolio	593,280	593,280
	$871,738	$747,603

13. Trust Assets and Liabilities (continued)

b) The Manitoba Agro Woodlot Program (MAWP)

On November 1, 2004 the Corporation began providing administrative support to Manitoba Agriculture, Food and Rural Initiatives for the MAWP.

The Corporation provides banking and financial services for MAWP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MAWP for these services. Disbursements, from the funds held in trust, are made at the direction of Manitoba Agriculture, Food and Rural Initiatives.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	$71,365	($4,296)

c) Prairie Habitat Joint Venture Advisory Board (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The PHJV Board's purpose is to oversee implementation of the NAWMP through a joint venture among participating agencies within the prairie provinces. PHJV agreed that the partner agencies would contribute to the costs of a Policy Committee with the Corporation holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	$181,275	$161,945

13. Trust Assets and Liabilities (continued)

d) Oak Hammock Marsh Wildlife Management Area (OHM-WMA)

On October 2, 2003 the Province of Manitoba, the Corporation and Ducks Unlimited Canada signed a five year infrastructure agreement. The Province of Manitoba and Ducks Unlimited Canada agreed to contribute to the costs of restoration to the OHM-WMA with the Corporation holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	$146,185	$211,821

e) Prairie Species at Risk Beneficial Management Practices Project (SAR - BMP)

On July 4, 2006 the Corporation entered into a two year agreement with Agriculture and Agri-Food Canada under their Greencover Canada Program to hire two consultants to undertake the development and implementation of a "Beneficial Management Practices" package for producers focusing on Species at Risk. The Corporation agreed to hold the funds in trust. The negative cash balance illustrates that the Corporation is lending cash to the program while their funding is based on an expense recovery system.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	($9,909)	($33,703)

13. Trust Assets and Liabilities (continued)

f) Delta Marsh Rehabilitation

On August 3, 2006 the Corporation entered into a contract with Wildlife Habitat Canada to sponsor the purchase of additional land to rehabilitate the Delta Marsh on behalf of the Manitoba Conservation's Wildlife and Ecosystem Protection Branch. The Corporation agreed to hold the funds in trust. All lands were purchased and transferred to the Province.

Trust assets held by the Corporation on behalf of this program include:

	2008	2007
Cash and Funds on Deposit with Province of Manitoba	Nil	$3,473

14. Management Fees

The Corporation charges for services provided to MAWP to other programs as follows:

	2008	2007
RP	$60,032	$111,929
MAWP	39,259	24,000
Miscellaneous	3,458	1,295
CWHP	39,632	25,037
	$158,381	$162,261

15. Economic Dependence

The Corporation is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

16. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totaled $4,025 (2007 - $4,900). Six contract employees were paid the following amounts in the fiscal year:

	2008	2007
T. Supuck, Manager of Operations	$ 82,199	$ 77,136
N. Teneycke, Habitat Field Manager	72,142	67,679
G. Forsyth, Field Representative	53,422	52,678
R. Bullion, Field Representative	53,422	52,678
A. Bouvier, Field Representative	53,457	52,678
G. Ouellette, Manager of Financial Services	55,649	51,636

THE MANITOBA HABITAT HERITAGE CORPORATION

Schedule 1

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2008
(with comparative figures for 2007)

	2008	2007
Expenses		
Habitat activities		
Salaries and benefits	$ 390,229	$ 377,969
Field office operations	70,830	71,324
Staff support	78,674	82,947
Nest baskets	52,821	51,246
Land leases	714	1,981
Habitat development	17,006	9,581
Property taxes	13,870	15,844
	624,144	610,892
Evaluation	85,046	76,471
Communications		
Salaries and benefits	95,832	90,099
Program delivery	39,275	33,924
	135,107	124,023
Program coordination		
Salaries and benefits	242,880	233,515
Rent	42,907	39,556
Office	56,885	51,052
Other	36,550	35,806
Professional fees	43,428	58,239
Board meetings and remuneration	5,837	7,262
Travel	23,488	15,787
	451,975	441,217
Total expenses	**$ 1,296,272**	**$ 1,252,603**

THE MANITOBA HABITAT HERITAGE CORPORATION

Schedule 2

RIPARIAN PROGRAM

Schedule of Expenses for the year ended March 31, 2008
(with comparative figures for 2007)

	2008	2007
Expenses		
Habitat activities		
Salaries and benefits	$ 21,459	$ 23,652
Field office operations	2,341	6,126
Staff support	3,363	4,903
Workshop expenses	538	2,639
Signage	-	779
Habitat management fees	25,000	28,887
	52,701	66,986
Communications		
Salaries and benefits	1,770	1,495
Program delivery	14,071	35,244
Communication management fees	15,083	11,596
	30,924	48,335
Program coordination		
Salaries and benefits	59,562	57,501
Rent	5,833	5,757
Office	2,766	4,312
Other	993	-
Professional fees	84,485	14,810
Travel	13,585	8,760
Coordination management fees	60,712	71,497
	227,936	162,637
Total expenses	**$ 311,561**	**$ 277,958**

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone/Telephone: (204) 956-7200
Fax/Telecopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of **MANITOBA HEALTH RESEARCH COUNCIL** as at March 31, 2008 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 22, 2008

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and bank (Note 3)	$ 587,122	$ 606,700
Short-term investments	365,721	188,118
Accounts receivable	791,557	269,193
Accrued interest receivable	-	3,045
Prepaid expenses	2,157	2,157
Deposits	500	500
	1,747,057	1,069,713
Capital assets (Note 4)	2,846	4,368
	$ 1,749,903	$ 1,074,081
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 89,837	$ 11,016
Deferred revenue	368,046	-
Research grants payable	441,687	803,656
	899,570	814,672
Commitments (Note 7)		
Fund Balances		
General Research Fund (Page 4)	755,825	225,198
Regional Partnerships Program Fund (Page 4)	94,508	34,211
	850,333	259,409
	$ 1,749,903	$ 1,074,081

Approved on behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the year ended March 31	General Research Fund	Regional Partnership Fund	2008 Total	2007 Total
Revenue				
Province of Manitoba grants	$ 3,735,230	$ 1,368,046	$ 5,103,276	$ 2,844,680
Grants returned /rescinded	98,822	-	98,822	224,514
Investment income	65,479	-	65,479	51,858
Summit Grant	-	-	-	25,000
	3,899,531	1,368,046	5,267,577	3,146,052
Less: Deferred revenue, end of year	-	368,046	368,046	-
	3,899,531	1,000,000	4,899,531	3,146,052
Expenditures				
Administration (Page 11)	440,220	-	440,220	346,061
Personnel awards	1,433,738	22,000	1,455,738	861,800
Research grants	1,494,946	917,703	2,412,649	2,021,035
	3,368,904	939,703	4,308,607	3,228,896
Excess (deficiency) of revenue over expenditures for the year	530,627	60,297	590,924	(82,844)
Fund balances, beginning of year	225,198	34,211	259,409	342,253
Fund balances, end of year (Page 3)	$ 755,825	$ 94,508	$ 850,333	$ 259,409

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 590,924	$ (82,844)
Adjustments for		
Amortization of capital assets	1,129	1,092
Loss on disposal of capital assets	1,671	-
	593,724	(81,752)
Changes in non-cash working capital balances		
Short-term investments	(177,603)	448,756
Accounts receivable	(522,354)	(267,861)
Accrued interest receivable	3,085	634
Prepaid expenses	-	(1)
Accounts payable and accrued liabilities	78,821	(1,386)
Deferred revenue	368,046	-
Research grants payable	(361,969)	533,873
	(18,300)	632,263
Cash Flows from Investing Activities		
Purchase of capital assets	(1,278)	(396)
Increase (decrease) in cash and cash equivalents during the year	(19,578)	631,867
Cash (bank indebtedness), beginning of year	606,700	(25,167)
Cash, end of year	$ 587,122	$ 606,700
Supplementary Information		
Interest received	$ 56,456	$ 52,492

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Summary of Significant Accounting Policies

March 31, 2008

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Financial Instruments

The organization's financial instruments consist of cash and bank, accounts receivable, short-term investments, accrued interest receivable, bank indebtedness, research grants payable and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis except for investments. Investments are recorded on a trade date basis.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, other short-term monetary liabilities, and research grants payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

MANITOBA HEALTH RESEARCH COUNCIL
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Office equipment	20% diminishing balance basis
Computer equipment	20% diminishing balance basis

Fund Accounting

The Manitoba Health Research Council follows the restricted fund method of accounting for contributions.

The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Revenue Recognition

Grant revenue is reflected in income in the period in which the grant is received or becomes receivable. Interest income is recognized as revenue when earned and is allocated proportionately to the Funds on the basis of monthly Fund balances.

Personnel Awards

Personnel awards and their renewals are charged to expenditures when funding is approved by Council.

Administrative Expenditures

Administration expenses are allocated 100% to the General Research Fund.

1. Entity Definition

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

2. Change in Accounting Policy

On January 1, 2007, the organization retrospectively adopted, without restatement of net assets, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no effect on the reported balances in the organization's statement of financial position and statement of operations and changes in net assets.

3. Cash and Bank

	2008	2007
Bank of Montreal current account	$ 44,743	$ 605,225
Wellington West cash account	542,379	1,475
	$ 587,122	$ 606,700

4. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 2,358	$ 1,633	$ 7,058	$ 5,308
Computer equipment	6,954	4,833	7,351	4,733
	$ 9,312	$ 6,466	$ 14,409	$ 10,041
Cost less accumulated amortization		$ 2,846		$ 4,368

5. Accounts Payable and Accrued Liabilities

Included in accounts payable are appropriations of $78,554 ($59,400 for the Provincial and Inter-provincial Research Directory Project and $19,154 for the Canadian Common CV Project) for expenditures committed to in the 2007/08 fiscal year which will be incurred in the coming year.

6. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

	2008	2007
Grant revenue	**$ 5,103,276**	$ 2,844,680

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Commitments

The Manitoba Health Research Council has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2009	$ 2,062,044	$ 404,236	$ 2,466,280
2010	182,804	-	182,804
	$ 2,244,848	$ 404,236	$ 2,649,084

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	**$ 755,825**
Current Regional Partnership Fund Balance	**94,508**
Deferred revenue	**368,046**
Future Province of Manitoba grants	**1,430,705**
	$ 2,649,084

7. Commitments (continued)

The organization has future payments under operating leases for the next two years are as follows:

2009	$	3,386
2010		3,386

8. Economic Dependence

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the year ended March 31	2008	2007
Accounting and audit	$ 3,953	$ 3,754
Amortization	1,129	1,092
Bank charges and interest	137	217
Communications	109,219	18,550
Conferences, meetings and travel	19,070	5,093
Council and committee expenses	30,117	5,933
Delivery	3,327	2,831
Insurance	4,400	4,272
Marketing	12,731	-
Parking	1,398	1,681
Printing, stationery and office supplies	12,350	7,636
Promotions	6,911	4,450
Repairs and maintenance	1,919	1,944
Salaries and benefits	231,888	197,262
Loss on disposal of asset	1,671	-
Summit expenses	-	91,346
	$ 440,220	$ 346,061



AUDITOR GENERAL

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

Office of the Auditor General

Winnipeg, Manitoba
June 13, 2008

MANAGEMENT REPORT

Management of Manitoba Health and Healthy Living is responsible to the Minister of Health for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2008 have been prepared in accordance with accounting principles consistent with prior years. Included in this year's financial statement is the Schedule of Payments pursuant to the provisions of *The Public Sector Compensation Disclosure Act*.

Manitoba Health and Healthy Living maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, an internal audit program and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities. Staff of the Office of the Auditor General review internal controls and report their findings annually to management and to the Minister of Health.

The Office of the Auditor General is responsible to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management has reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee meets to review audit, financial reporting and related matters.

On behalf of the management.

"Original signed by Arlene Wilgosh"

Arlene Wilgosh
Deputy Minister of Health and
Healthy Living

"Original signed by Karen Herd"

Karen Herd, CA
Chief Financial Officer and
Assistant Deputy Minister

Winnipeg, Manitoba
July 31, 2008

Manitoba Health Services Insurance Plan
Statement of Financial Position
As At March 31, 2008
(in thousands of dollars)

	2008	2007
Assets		
Current		
Cash	$ 35,885	$ 21,383
Funds on deposit with the Province of Manitoba	191,813	4,176
Accounts receivable (Note 3)	52,706	180,263
Due from the Province of Manitoba - vacation pay (Note 4)	122,490	122,439
	402,894	328,261
Due from the Province of Manitoba - post employment benefits (Note 4)	127,350	127,574
	$ 530,244	$ 455,835
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	279,604	205,022
Accrued vacation pay (Note 4)	122,490	122,439
	402,094	327,461
Post employment benefits payable (Note 4)	127,350	127,574
Net Assets	800	800
	$ 530,244	$ 455,835

Manitoba Health Services Insurance Plan
Statement of Operations and Net Assets
For the Year Ended March 31, 2008
(in thousands of dollars)

	2008	2007
Revenue		
Grants from the Province of Manitoba (Note 9)	$ 3,661,873	$ 3,429,413
Third party recoveries	13,238	12,775
Miscellaneous	53	40
	3,675,164	3,442,228
Expenses		
Health Authorities and Facilities (Note 6, 7)	2,584,836	2,394,075
Medical (Notes 6, 7,11)	764,441	735,102
Provincial programs	100,963	99,310
Pharmacare	224,924	213,741
	3,675,164	3,442,228
Excess of revenue over expenses and comprehensive income	-	-
Net Assets, beginning of year	800	800
Net Assets, end of year	$ 800	$ 800

Manitoba Health Services Insurance Plan
Notes to the Financial Statements
For the Year ending March 31, 2008

Note 1 - Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of the *Health Services Insurance Act*. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Note 2 - Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b. New Accounting Policies

Effective April 1, 2007 the Plan adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, *Accounting Changes*

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Plan has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Plan's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Plan has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. As the Plan has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recognized at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Plan is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair valued with any change in fair value recoded in net

earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Plan has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, and the amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, and accrued vacation pay are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Plan's financial statements for the year ended March 31, 2008.

c. Financial Instruments

The Plan's financial instruments consist of cash, funds on deposit, accounts receivable, due from the Province of Manitoba – vacation pay and post employment benefits, accounts payable and accrued liabilities, and accrued vacation pay.

The fair value of cash, fund on deposit, accounts receivable, due from the Province of Manitoba – vacation pay, accounts payable and accrued liabilities, and accrued vacation pay approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – post employment receivable approximates its fair value, as the annual interest accretion is funded.

Unless otherwise noted, it is management's opinion that Plan is not exposed to significant interest, currency or credit risk arising from these financial instruments.

d. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e. Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

f. Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

g. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Note 3 - Accounts Receivable

	2008	2007
Province of Manitoba	**$16,029**	$151,793
Other Provinces and Territories	**23,006**	20,233
Other	**13,671**	8,237
	$52,706	$180,263

Note 4 - Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post employment liabilities.

Note 5 - Accounts Payable and Accrued Liabilities

	2008	2007
Health Authorities and Facilities	**$123,615**	$81,051
Medical Service Claims	**87,172**	87,987
Pharmacare Claims	**15,505**	12,400
Province of Manitoba	**17,742**	-
General	**35,570**	23,584
	$279,604	$205,022

Note 6 - Inter-provincial Reciprocal Recoveries

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenses.

For the year ended March 31, 2008 the expenses for Health Authorities and Facilities within the Province, of $2,584,836 (2007-$2,394,075) are net of reciprocal recoveries of $37,211 (2007-$44,937). The expenses for Medical program of $764,441 (2007- 735,102) are net of reciprocal recoveries of $11,997 (2007-$11,232).

Note 7 - Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expense categories of Health Authorities and Facilities and Medical.

Regional Health Authority	2008			2007
	Facilities	Medical	Total	Total
Winnipeg	$1,652,055	$138,697	$1,790,752	$1,680,887
Brandon	152,937	8,796	161,733	148,970
North Eastman	40,003	2,995	42,998	40,327
South Eastman	59,690	5,720	65,410	58,181
Interlake	80,346	7,255	87,601	80,642
Central	142,318	13,204	155,522	143,150
Assiniboine	116,851	13,161	130,012	122,470
Parkland	95,354	4,879	100,233	93,191
Norman	54,462	9,770	64,232	57,463
Burntwood	51,907	13,834	65,741	55,184
Churchill	10,258	-	10,258	10,125
CancerCare	74,384	12,014	86,398	78,501
Total Payments	$2,530,565	$230,325	$2,760,890	$2,569,091

The expense category, Health Authorities and Facilities, in the Statement of Operations and Net Assets is comprised of the following:

	2008	2007
Health Authorities payments	$2,530,565	$2,369,513
Accruals and payments to facilities and third parties	91,482	69,499
Reciprocal recoveries	(37,211)	(44,937)
Total Expenses	$2,584,836	$2,394,075

The expense category, Medical, in the Statement of Operations and Net assets is comprised of the following:

	2008	2007
Fee for Services Medical payments and accruals	$518,540	$520,714
Health Authorities payments	230,325	199,578
Optometric	5,990	5,544
Chiropractic	9,586	9,266
Total Expenses	$764,441	$735,102

Note 8 - Contingencies

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2008, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

Note 9 - Economic Dependence

The Plan is economically dependent on the Province of Manitoba for its funding.

Note 10 - Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Note 11 - The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of *The Public Sector Compensation Disclosure Act* is included as part of the Annual Report of Manitoba Health.

Note 12 - Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance as to the reliability and accuracy of the financial information and to ensure that the assets of the Commission are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly, in all material respects.

Larry Huber
Executive Director

Date: June 30th, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of Manitoba Horse Racing Commission

We have audited the balance sheet of the Manitoba Horse Racing Commission as at March 31, 2008, and the statement of operating revenue and expenses and fund balances and the statement of general fund operating expenses for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 11, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE MANITOBA HORSE RACING COMMISSION

Exhibit A

Balance Sheet
as at March 31, 2008
(with 2007 figures for comparison)

	General Fund	Capital Asset Fund	Restricted Funds: Pari-Mutuel Levy Fund	Restricted Funds: Rural Fund	Restricted Funds: H.B.P.A. Fund	Restricted Funds: C.T.H.S. Fund	Total Year ended March 31: 2008	Total Year ended March 31: 2007 (Note 8)
ASSETS								
Current assets								
Cash on hand and in bank	$ 66,483	$ -	$ -	$ 6,753	$ 80,291	$ 255,412	**$ 408,939**	$ 413,748
Pari-mutuel levy receivable	-	-	5,564	-	-	-	**5,564**	47,394
Pre paid expense	-	-	-	-	-	-	**-**	7,388
Interfund balances	1,053	-	(5,564)	(500)	3,888	1,123	**-**	-
Accounts Receivable	13,650	-	-	-	-	-	**13,650**	15,430
Receivable from Province of Manitoba - Pension (Note 3)	307,729	-	-	-	-	-	**307,729**	-
	388,915	-	-	6,253	84,179	256,535	**735,882**	483,960
Long term receivable								
Province of Manitoba (Note 3)	-	-	-	-	-	-	**-**	288,336
Capital assets (Note 6)	-	14,448	-	-	-	-	**14,448**	15,255
	$ 388,915	$ 14,448	$ -	$ 6,253	$ 84,179	$ 256,535	**$ 750,330**	$ 787,551
LIABILITIES AND FUND BALANCES								
Current liabilities								
Accounts payable and accrued liabilities	$ 28,139	$ -	$ -	$ 3,682	$ 84,179	$ 256,535	**$ 372,535**	$ 434,116
Deferred revenue	1,755	-	-	-	-	-	**1,755**	2,915
	29,894	-	-	3,682	84,179	256,535	**374,290**	437,031
Long term liability								
Provision for employee pension benefits (Note 4)	307,729	-	-	-	-	-	**307,729**	288,336
	337,623	-	-	3,682	84,179	256,535	**682,019**	725,367
Fund Balances - Exhibit B								
Unrestricted	51,292	-	-	-	-	-	**51,292**	46,928
Invested in Capital Assets	-	14,448	-	-	-	-	**14,448**	15,256
Restricted	-	-	-	2,571	-	-	**2,571**	-
	$ 388,915	$ 14,448	$ -	$ 6,253	$ 84,179	$ 256,535	**$ 750,330**	$ 787,551

APPROVED BY THE COMMISSION

_____ Chairman

_____ Comptroller

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Exhibit B

Statement of Operating Revenue and Expenses and Fund Balances for the year ended March 31,2008 (with 2007 figures for comparison)

	General Fund	Capital Asset Fund	Restricted Funds: Pari-mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Total Year ended March 31 2008	2007 (Note 8)
Revenue:								
Fees, licenses and fines (Note 5)	$ 116,713	$ -	$ -	$ -	$ -	$ -	**$ 116,713**	$ 126,261
Grant from the Manitoba Lotteries	38,000	-	-	462,000	-	-	**500,000**	500,000
Interest	970			2,571	3,082	7,969	**14,592**	13,085
Pari-mutuel levy	-	-	3,032,682	-	-	-	**3,032,682**	2,985,302
Sundry	-	-	-	-	-	-	**-**	34
Employee future benefits - (Note 4)	19,393	-	-	-	-	-	**19,393**	17,130
	175,076	-	3,032,682	464,571	3,082	7,969	**3,683,380**	3,641,812
Expenses:								
General Fund operating expenses, Exhibit C	484,326	-	-	-	-	-	**484,326**	507,504
Overnight purse support thoroughbred	-	-	-	-	2,149,003	-	**2,149,003**	2,117,574
Owners/breeders incentive thoroughbred	-	-	-	-	-	579,940	**579,940**	569,392
Quarter Horse support	-	-	-	12,000	-	-	**12,000**	12,000
Amortization of capital assets	-	1,984	-	-	-	-	**1,984**	1,828
Standardbred rural	-	-	-	450,000	-	-	**450,000**	450,813
	484,326	1,984	-	462,000	2,149,003	579,940	**3,677,253**	3,659,111
Excess (deficiency) of revenues over expenses	(309,250)	(1,984)	3,032,682	2,571	(2,145,921)	(571,971)	**6,127**	(17,299)
Capital fund transfer (Note 2H)	(1,177)	1,177	-	-	-	-	**-**	-
Pari-mutuel levy fund transfer (Note 2H)	314,790	-	(3,032,682)	-	2,145,921	571,971	**-**	-
Fund balances at beginning of year	46,929	15,255	-	-	-	-	**62,184**	79,483
Fund balances end of year	$ 51,292	$ 14,448	$ -	$ 2,571	$ -	$ -	**$ 68,311**	$ 62,184

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Exhibit C

Statement of General Fund Operating Expenses
for the year ended March 31, 2008
(with 2007 figures for comparison)

	2008	2007
Expenses:		
Bad Debt	$ 1,930	$ -
Commissioners' per diem and honoraria	15,816	20,828
Drug, alcohol and security	7,718	4,705
Employee benefits	27,520	26,736
Equipment and office furniture	5,821	-
Equipment rentals	3,709	1,275
Insurance	893	968
Memberships and dues	(472)	6,845
Office	19,666	13,070
Pension cost	34,378	31,402
Professional fees	8,412	8,400
Recruiting costs	2,000	1,927
Repairs and maintenance	-	1,822
Salaries:		
Administration	124,048	125,595
Security	17,791	17,295
Stewards and judges	122,863	153,380
Veterinarian services	51,654	50,124
Support grant	15,739	15,823
Telephone	6,421	6,602
Travel	18,419	20,707
	$ 484,326	$ 507,504

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2008

1. Nature of the operations

The Manitoba Horse Racing Commission (Commission) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba and a grant from the Manitoba Lotteries Corporation. Administrative grant monies drawn down in excess of actual expenses are retained by the Commission. However, such retained funds in excess of actual expenses reduce subsequent administrative grants.

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Manitoba Lotteries Corporation.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2008

2. Significant accounting policies

A) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

B) Fund Accounting

The Commission follows the restricted fund method of accounting for contributions.

C) New accounting policies

Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings or directly to unrestricted fund balance, respectively. All other financial instruments are subsequently measured at amortized cost.

The Commission has designated its financial instruments as follows:

Cash on hand and in bank is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, pari-mutuel levy receivable and receivable from Province of Manitoba - pension are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabliities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Commission financial statements for the year ended March 31, 2008.

D) Financial instruments

The Commission's financial instruments consist of cash on hand and in bank, accounts receivable, pari-mutuel levy receivable, receivable from Province of Manitoba - pension and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, pari-mutuel levy receivable, receivable from Province of Manitoba - pension, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

E) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

F) Pension costs

These consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2004. Experience gains or losses are recognized in the year the actuarial valuation is completed.

G) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

H) Fund transfers

i) Capital fund transfers
Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer
A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

I) Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Computer equipment	5 years
Security equipment	10 years
Furniture	10 years

J) Future accounting policy changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

3. Receivable from the Province of Manitoba - Pension

The balance is comprised of:

	2008	2007
Pension entitlement	$ 307,729	$ 288,336
Less: long term portion	-	288,336
Amount due within one year	$ 307,729	$ -

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the pension liability. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on behalf of the Manitoba Horse Racing Commission until the cash is required to discharge the related liabilities. Accordingly, this receivable is classified as current.

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2008

4. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

An actuarial valuation of the employee pension benefit liability as at December 31, 2004 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2001 - 7.25%), 2.50% inflation (2001 – 2.75%), salary rate increases of 3.25% (2001 - 3.5%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2008 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

Provision for employer's share of employees' pension plan:

	2008	2007
Balance, beginning of year	$ 288,336	$ 271,207
Benefits accrued	13,163	13,198
Interest accrued on benefits	20,594	17,823
Benefits paid	(14,364)	(13,892)
Balance, end of year	$ 307,729	$ 288,336

5. Fees, licenses and fines

	2008	2007
Assiniboia Downs		
Daily licenses	$ 66,975	$ 67,000
Fees and licenses	36,648	39,771
Fines	11,490	17,610
	115,113	124,381
Rural Circuit		
Fees and licenses	570	1,160
Fines	1,030	720
	1,600	1,880
	$ 116,713	$ 126,261

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2008

6. Capital assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	**$ 11,599**	**$ 2,695**	$ 10,422	$ 1,818
Security equipment	**1,629**	**448**	1,629	336
Furniture	**7,571**	**3,208**	7,571	2,213
	$ 20,799	**$ 6,351**	$ 19,622	$ 4,367
Net Book Value		**$ 14,448**		$ 15,255

7. Statement of cash flows

A statement of cash flows has not been provided as information about financing and investing activities and their effects on cash resources are readily apparent from the other financial statements.

8 Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted for the current year.

MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to July 11, 2008.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

B Brown

Brian Brown, Comptroller, Corporate Services

Joy Cramer

Joy Cramer, Chief Executive Officer

July 11, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2008 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 11, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE MANITOBA HOUSING AND RENEWAL CORPORATION
BALANCE SHEET
MARCH 31, 2008

ASSETS

	2008	2007
Cash (note 4)	$ 93,631,755	$ 81,223,893
Accounts receivable and accruals (note 5)	27,956,014	37,188,932
Prepaid expenses	5,392,174	3,652,360
Loans and mortgages receivable (note 6)	147,156,098	153,052,416
Land and housing		
Housing projects (note 7)	78,421,998	77,407,882
Housing investment (note 8)	1,038,220	1,245,440
Land development costs	26,057,619	5,657,328
Land (note 10)	12,389,914	14,556,286
	117,907,751	98,866,936
	$392,043,792	$373,984,537

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable, holdbacks and accruals	$ 39,113,898	$ 37,075,248
Deferred revenue (note 11)	12,721,196	14,300,951
Long-term debt (note 12)	495,836,702	487,924,706
Deferred contributions (note 13)	69,342,039	66,063,722
Total Liabilities	617,013,835	605,364,627

Fund Balances

The Housing Development and Rehabilitation Fund	3,678,735	
The Manitoba Housing and Renewal Fund Deficit	(228,648,778)	(231,380,090)
Total Fund Balances (Accumulated Deficit)	(224,970,043)	(231,380,090)
Total Liabilities and Fund Balances	$392,043,792	$373,984,537

Contingencies (note 22)
Commitments (note 23)
Guarantees (note 24)

Approved by the Board of Directors:

Director

Director

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Grants from the Province of Manitoba (note 14)	$ 59,205,645	$ 52,574,850
Contributed services (note 15)	1,583,200	2,094,200
Rental revenue (note 16)	64,282,662	63,611,525
Subsidy contributions	55,880,228	62,876,098
Interest		
Loans and mortgages	14,714,786	15,169,779
Bank and other	136,960	99,702
	14,851,746	15,269,481
Sales of land - joint venture (note 9)	5,074,181	4,755,762
Sales of land – Waverley West	692,500	-
Other	41,374	8,078
	201,611,536	201,189,994
Expenses		
Housing operations – excluding amortization and interest (note 16)	87,168,300	79,870,993
Housing operations amortization (note 16)	7,071,561	7,424,865
Housing operations interest (note 16)	23,969,050	25,103,120
Rental subsidies – excluding amortization and interest (note 17)	32,104,755	32,735,203
Rental subsidies – amortization (note 17)	2,351,360	2,421,912
Rental subsidies – interest (note 17)	10,700,769	9,974,406
Grants and subsidies (note 18)	5,698,902	5,292,680
Interest expense	14,677,778	15,130,855
Administrative services (note 15)	1,692,500	1,669,800
(Gain) on sale of housing projects and land	(172,482)	(185,833)
(Recovery) of provision for loss and write downs	(306,924)	(13,120)
Cost of land sales - joint venture	2,059,084	2,099,952
Cost of land sales – Waverley West	236,350	-
Repair and renovation expense (note 15)	7,692,790	10,630,698
Other	582,369	593,926
Pension (note 19)	(324,673)	223,807
	195,201,489	192,973,264
Excess of revenue over expenses and comprehensive income	$ 6,410,047	$ 8,216,730

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF FUND BALANCES
MARCH 31, 2008

	2008	2007
Manitoba Housing and Renewal Fund Deficit (Deficit) – beginning of year as previously stated	$(240,653,884)	$(243,889,744)
Correction of error (Note 25)	(878,142)	(878,142)
Change in accounting policy (Note 3)	10,151,936	5,171,066
	(231,380,090)	(239,596,820)
Excess revenues over expenditures	6,410,047	8,216,730
Interfund transfer – MHDRF	(3,678,735)	-
Deficit at end of year	$(228,648,778)	$(231,380,090)
Manitoba Housing Development and Rehabilitation Fund (MHDRF) – beginning of year	$ -	$ -
Interfund transfer – Deficit	3,678,735	-
MHDRF – end of year	3,678,735	-
Total Fund Balances (Accumulated Deficit)	$(224,970,043)	$(231,380,090)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2008

Cash provided by (used for):	2008	2007
Operating activities:		
Excess of revenue over expenses	$ 6,410,047	$ 8,216,730
Add (deduct) items not involving cash:		
Amortization	9,422,921	9,846,777
(Recovery) of provision for loss and write downs	(306,924)	(13,120)
Gain on sale of housing projects and land	(172,482)	(185,833)
Federal subsidies - housing projects	(1,375,899)	(743,433)
	7,567,616	8,904,391
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	9,232,918	1,244,611
Prepaid expenses	(1,739,814)	267,519
Accounts payable, holdbacks and accruals	2,038,650	1,835,418
Deferred revenue	(1,579,755)	5,716,717
Deferred contributions	3,278,317	727,586
Land development costs in joint venture (note 9)	411,816	(440,106)
Land in joint venture (note 10)	184,744	198,301
	25,804,539	26,671,167
Financing activities:		
Borrowings	29,750,809	6,007,987
Additions to loans and mortgages	(1,831,444)	(510,477)
Proceeds from repayment of loans and mortgages	7,727,762	3,447,579
Repayment of borrowings	(21,838,812)	(15,870,701)
	13,808,315	(6,925,612)
Investing activities:		
Additions to land and housing	(27,538,403)	(13,908,935)
Proceeds from sale of housing projects and land	333,412	230,813
	(27,204,991)	(13,678,122)
Increase (decrease) in cash	12,407,862	6,067,433
Cash at beginning of year	81,223,893	75,156,460
Cash at end of year	$93,631,755	$81,223,893
Supplementary disclosure:		
Cash payments of interest received	$ 4,469,047	$ 4,775,302
Cash payments of interest paid	$37,128,419	$38,397,637

(see accompanying notes)

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;
b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
c) to maintain and improve the condition of existing housing stock; and
d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 16, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). The MHA was established in 1992 as an agency of MHRC.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.
ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.
iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.
iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.
v) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years
Betterments – 10 to 20 years

f) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

g) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price and the acquisition costs.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

h) Land development costs

Land development costs include interest, planning, development and administrative costs. These costs are capitalized as land development costs to the date of sale of the related land.

i) Revenue recognition

Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized in the fiscal period during which the service is provided. Subsidy contributions are recognized on an accrual basis in the fiscal period to which they relate. Interest is recognized on an accrual basis in the fiscal period in which it is earned.

j) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

k) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003.

Current actuarial gains or losses are recognized as operating expenses.

l) Contributed services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Changes in Accounting Policy

a) New Accounting Policies

Effective April 1, 2007 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

Comprehensive Income

Section 1530 of the CICA accounting standards requires the presentation of a statement of comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Corporation has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

b) Financial Instruments

i) Effective April 1, 2007 the Corporation adopted the accounting recommendations for *Financial Instruments – Recognition and Measurement* (Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855). Financial *Instruments – Disclosure and Presentation* (CICA Handbook Section 3861) and *Hedges* (CICA Handbook Section 3865) in accordance with the transitional provisions of the sections. These sections establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities, non-financial derivatives and embedded derivatives, and describe when and how hedge accounting may be applied.

Under the new standards, financial assets and liabilities are initially recorded at fair value. Subsequently, the Corporation classifies each of its financial instruments into one of the following categories: held for trading; held to maturity; loans and receivables; available for sale; and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

Cash and cash equivalents are classified as held for trading and are measured at fair value. Loans receivable and accounts receivable are classified as loans and receivable and are measured at amortized costs using the effective interest method. Accounts payable, holdbacks and accruals and long term debt are classified as other financial liabilities and are measured at amortized costs using the effective interest method.

These new standards were applied retroactively as of April 1, 2007. There were no changes to the financial statement accounts as a result of adopting these standards.

Derivatives may be embedded in other financial instruments (the "host" instrument). Under the new standards embedded derivatives are treated as separate contracts when their economic characteristics and risks are not closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative and the combined instrument is not classified as held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes in the fair value recognized in operations. The Corporation selected April 1, 2004 as the transition date for embedded derivatives. As such, only contracts or other financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at March 31, 2008 and March 31, 2007 the Corporation does not have any outstanding contracts or other financial instruments with embedded derivatives.

ii) Fair value – Financial Instruments

The fair value of accounts receivable (excluding receivables related to pension and severance liability), accounts payable, holdbacks and accruals approximates their carrying values due to their short-term maturity.

The carrying value of the Corporation's pension and severance pay liabilities are based on actuarial valuations adjusted over time for the effect of interest and payouts since the valuations were performed. The carrying value of the liabilities approximates their fair values as the interest component is comparable to current market rates. The carrying value of the related pension and severance receivables approximates their fair value as their carrying value is derived from the related pension and severance liabilities.

The fair value of loans receivable is determined using the present value of future cash flows under current funding agreements, based on the Corporation's current estimated lending rate for loans with similar terms and conditions. The fair value of the loans receivable is $177,595,296 at March 31, 2008 ($188,271,048 at March 31, 2007).

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Corporation's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term debt is $603,197,970 at March 31, 2008 ($605,389,189 at March 31, 2007).

c) Tangible Capital Assets Betterments

Effective April 1, 2007 the Corporation initiated the following change in accounting policy:

Previously, capital asset betterment costs were recognized as expenses in the period in which they were incurred.

Effective April 1, 2007 the Corporation expanded it's Tangible Capital Asset policy (TCA) to capitalize betterments.

The effects of the above change in accounting policy, which has been retroactively applied with restatement of the balance sheet as at March 31, 2008, is to increase tangible capital assets for betterments by $20,043,517 (2007 - $10,605,789) and to increase amortization for betterments by $453,853 (2007 - $351,551). As a result of the above changes, the opening balance in The Manitoba Housing and Renewal Fund Deficit as at April 1, 2008 has been decreased by $10,151,936 (2007 - $5,171,066).

d) Future accounting changes - Financial instruments

In December 2006, the CICA issued Section 3862, *Financial Instruments - Disclosures*; Section 3863, *Financial Instruments - Presentation*; and Section 1535, *Capital Disclosures*. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

The Corporation does not expect that the adoption of this new Section will have a material impact on its financial statements.

4. Cash

	2008	2007
On deposit with the Minister of Finance:		
Trust deposits	$80,512,075	$53,787,861
Deferred Contributions (note 13)	12,070,497	10,848,859
Mobile home loan guarantee program fund (note 24)	163,115	887,007
	92,745,687	65,523,727
Bank	877,243	15,691,741
Petty cash	8,825	8,425
Cash	$93,631,755	$81,223,893

5. Accounts receivable and accruals

	2008	2007
Canada Mortgage and Housing Corporation	$4,240,935	$11,553,610
Government of the Province of Manitoba and its agencies	4,133,689	7,153,090
Rent receivables - net of allowance of $6,350,703 (2007 - $6,090,113)	1,946,139	1,906,895
Accrued interest on loans and mortgages receivable	461,194	514,440
City of Winnipeg - net of allowance of $67,927 (2007 - $67,927)	256,628	135,332
Other - net of allowance of $12,347 (2007- $12,347)	9,914,552	8,598,015
Government of the Province of Manitoba		
- severance benefits(note 20)	1,446,105	1,446,105
- pension recoverable (note 19)	5,556,772	5,881,445
Accounts receivable and accruals	$27,956,014	$37,188,932

6. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2008	2007
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$ 96,462,775	$ 98,623,505
Rural and Native Housing Program	6,793	9,457
Urban Native Housing Program	29,914,877	32,334,496
	126,384,445	130,967,458
Market Rental Programs:		
Co-operative HomeStart Program	8,189,164	8,202,736
Co-operative Index Linked Program	6,982,342	7,449,839
Manitoba Rural RentalStart Program	264,034	273,887
Manitoba Senior RentalStart Program	4,287,419	4,390,136
	19,722,959	20,316,598
Other Programs:		
Community Residences Program	3,694,792	3,964,055
Market Homeowner Programs	70,315	88,980
Homeowner Rehabilitation Programs	234,017	2,664,384
Other	2,784,666	1,092,960
	6,783,790	7,810,379
	152,891,194	159,094,435
Less - allowance for loan impairment	5,735,096	6,042,019
Loans and mortgages receivable	$147,156,098	$153,052,416

Loans and mortgages receivable bear interest at various rates between 0% and 14.25% with maturities at various dates to 2035.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of $97,223,403 (2007 - $82,613,781) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2009	$227,914
2010	11,110
2011	37,524
2012	2,553,196
2013	2,760,752
Subsequent to 2014	147,300,698
	$152,891,194

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2008	2007
Market rental programs	$5,624,414	$5,860,840
Other programs	110,682	181,179
	$5,735,096	$6,042,019

7. Housing projects

	2008	2007
Housing Projects:		
Land	$ 21,743,969	$ 21,734,065
Buildings	398,366,403	397,839,887
Less - accumulated amortization	346,413,491	338,829,358
Buildings – net book value	51,952,912	59,010,529
Under construction	9,437,728	-
	83,134,609	80,744,594
Less - financing provided by CMHC	4,712,611	3,336,712
Housing projects	$ 78,421,998	$ 77,407,882

8. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

9. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $1,174,157 (2007 - $1,358,901) and is included in joint venture land in note 10. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 24).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2008	2007
Current Assets:		
Cash and short term investments	$ 619,498	$ 1,384,453
Accounts receivable from land sales	4,146,937	3,887,450
	4,766,434	5,271,903
Long Term Assets:		
Development in progress	1,054,938	1,466,754
Total Assets	$5,821,373	$6,738,657
Current Liabilities:		
Accounts payable and accrued liabilities	16,636	80,772
Net Assets	$5,804,737	$6,657,885
Sales of land	$5,074,181	$4,755,761
Cost of land sales	1,874,340	1,901,651
Gross margin	3,199,841	2,854,110
Expenses:		
Interest on bank indebtedness	13,196	21,687
General	58,615	90,794
Other	161,178	123,221
Total expenses	232,989	235,702
Net income for the year	$2,966,852	$2,618,408

10. Land

	2008	2007
Future development or sale	$ 9,555,965	$ 11,462,993
Leased to co-operatives	1,659,792	1,734,392
Joint venture	1,174,157	1,358,901
Land	$12,389,914	$14,556,286

11. Deferred revenue

	2008	2007
Manitoba Housing Authority tenant prepaid rent	$ 2,076,015	$ 1,968,853
Other prepaid land lease and subsidy contribution received in advance	298,525	280,688
Affordable Housing Initiative commitments	10,346,656	12,051,410
Deferred revenue	$12,721,196	$14,300,951

12. Long-term debt

	2008	2007
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	$ 37,269,512	$ 13,237,893
Long-term advances, at interest rates from 4.75% to 13.375% maturing at various dates to 2029 and requiring annual principal and interest payments of $38,029,946 (2007 - $38,901,053)	294,533,899	305,557,467
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.67% to 8.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $15,022,602 (2007 - $14,988,984)	161,229,610	166,252,608
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 10.50% maturing at various dates to 2028 and requiring annual principal and interest payments of $325,260 (2007 - $325,260)	2,803,681	2,876,738
Long-term debt	$495,836,702	$487,924,706

Principal repayments on the long-term debt are estimated as follows:

2009	$ 17,405,405
2010	18,780,128
2011	20,297,450
2012	21,933,005
2013	22,776,614
Subsequent to 2014	394,644,100
	$495,836,702

13. Deferred contributions

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions in the amount of $57,271,543 (2007 - $55,214,863) are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a deferred contribution and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks. The unexpended balance related to these contributions at March 31, 2008 is $12,070,496 (2007 - $10,848,859).

14. Grants from the Province of Manitoba

	2008	2007
Department of Family Services and Housing		
MHRC operating programs	$46,986,549	$40,382,570
MHRC administration	7,103,851	6,962,530
Grants and subsidies	5,172,982	4,620,951
	59,263,382	51,966,051
Grants recovered from the Department of Finance		
School Tax Assistance for Tenants 55 Plus Program	266,936	384,992
Pension recovery (note 19)	(324,673)	223,807
Grants from the Province of Manitoba	$59,205,645	$52,574,850

15. Contributed services

	2008	2007
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	$ 504,000	$ 553,500
- included in administration expenses in note 16, Manitoba Housing Authority Housing Operations	636,500	1,052,500
- included in administration expenses in note 16, Sponsor Managed Housing Operations	22,700	20,100
- included in Rental Subsidies, note 17	319,000	396,600
- included in Statement of Operations, Repair and renovation expense	101,000	71,500
Total Department of Family Services and Housing administrative services provided	$1,583,200	$2,094,200

16. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	Manitoba Housing Authority Managed	Sponsor Managed	2008	2007
Revenue				
Rental revenue	$51,559,298	$12,723,364	$ 64,282,662	$ 63,611,525
Expenses				
Administration (note 15)	16,477,900	1,735,995	18,213,895	17,079,574
Property operating	49,579,018	8,884,437	58,463,455	52,388,090
Grants in lieu of taxes	9,057,670	1,433,280	10,490,950	10,403,329
Amortization	5,840,954	1,230,607	7,071,561	7,424,865
Interest	19,890,384	4,078,666	23,969,050	25,103,120
	100,845,926	17,362,985	118,208,911	112,398,978
Operating loss	$49,286,628	$ 4,639,621	$ 53,926,249	$ 48,787,453

17. Rental subsidies

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies are provided through agreements with third parties for which MHRC has assumed operating policy responsibility. Their operating results are:

	Not for Profit Housing	Cooperative Housing	Private Landlord	Property Management	2008	2007
Revenue						
Rental revenue	$8,411,329	$ -	$ -	$2,835,221	$11,246,550	$10,955,086
Expenses						
Administration	2,166,752	156,200	180,200	1,118,685	3,621,837	3,658,376
Property operating	18,930,454	3,668,682	4,294,401	10,736,780	37,630,317	37,940,110
Grants in lieu of taxes	1,193,755	-	-	905,396	2,099,151	2,091,803
Amortization	2,268,519	-	-	82,841	2,351,360	2,421,912
Interest	10,624,407	-	-	76,362	10,700,769	9,974,406
	35,183,887	3,824,882	4,474,601	12,920,064	56,403,434	56,086,607
Operating loss	$26,772,558	$3,824,882	$4,474,601	$10,084,843	$45,156,884	$45,131,521

18. Grants and subsidies

	2008	2007
Manitoba Shelter Benefit	$5,172,982	$4,008,787
Shelter Allowance for Family Renters	-	233,687
Shelter Allowance for Elderly Renters	-	378,477
School Tax Assistance for Tenants 55 Plus	266,936	384,992
Elderly & Infirm Persons Housing	155,423	155,423
Co-op Homestart	103,561	131,314
	$5,698,902	$5,292,680

19. Pension obligations

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2008 is $597,669 (2007 - $594,114).

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The liability of $5,556,772 (2007 - $5,881,445) and the related recoverable amount from the Province of Manitoba of $5,556,772 (2007 - $5,881,445) are recorded in the financial

statements. As well, the decrease of $324,673 (2007 - increase of $223,807) in the liability and in the recoverable is recorded in the financial statements. Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being estimated by a formula provided by the actuary. The most recent valuation was completed at December 31, 2004.

	2008	2007
Balance at beginning of year	$5,881,445	$5,657,638
Experience (gain) loss	(884,505)	(331,663)
Benefits accrued	439,288	427,799
Interest accrued on benefits	387,882	373,655
Benefits paid	(267,338)	(245,984)
Balance at end of year	$5,556,772	$5,881,445

The key actuarial assumptions were a rate of return of 6.5% (2001 - 6.75%), 2.5% inflation (2001 - 2.75%), salary rate increases of 3.25% (2001 – 3.5%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2008 using a formula provided by the actuary.

20. Severance

a) Severance pay liability

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Corporation recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba. The Corporation recorded, effective April 1, 2003, a receivable in the amount of $569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of $569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the

corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The carrying value of the receivables approximates its fair value as the interest component described above is comparable to current market rates.

21. Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by the MHRC in respect of land owned or developed by it or by a partnership or joint venture in which the MHRC is or was a participant. Interest earned on the amounts are to be credited to the fund. Profits are transferred from The Manitoba Housing and Renewal Fund Deficit to the Housing Development and Rehabilitation Fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which the Corporation realized profits, including the development of new housing or the rehabilitation of existing housing. The fund has a balance of $3,678,735.

22. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

The Corporation provided the City of Winnipeg with a letter of credit under a development agreement. At March 31, 2008 the letter of credit amounted to $1,389,120.

23. Commitments

The Corporation has the following commitments as at March 31, 2008:

a) Housing project modernization and improvement $12,839,582

b) Repair and renovation expenses $11,740,507

c) Grants and subsidies:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2008	$41,256,800
2009	46,660,700
2010	52,998,000
2011	57,875,900
2012	62,763,400

24. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2008	2007
Joint Venture Investment Guarantee (note 9)	$2,400,000	$2,400,000
Waverley West Letter of Credit	1,389,120	2,050,605
Mobile Home Loan Guarantee Program	163,115	360,684
Affordable Housing Initiative Loan Guarantee Program	2,335,356	2,598,356
Total guarantees	$6,287,591	$7,409,645

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2008 are $163,115 (2007 - $887,007) and are included in cash (note 4). The trust fund liability is included in accounts payable.

25. Risk Management

i) Financial Risk
Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk
Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

26. Prior Year Error

During 2008 the corporation discovered an error in the investment in land for future development or sale related to prior years. The comparative figures for 2007 have been restated tor correct this error. The impact of the restatement on these financial statements is summarized below.

Decrease in Land for Future Development or Sale	$878,142
Increase in the MHRC deficit	$878,142

27. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

Manitoba

Competitiveness, Training and Trade
Manitoba Development Corporation
1040 - 259 Portage Avenue
Winnipeg MB R3B 3P4

THE MANITOBA OPPORTUNITIES FUND LIMITED

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and followed.

BDO Dunwoody LLP has free access to the Board of Directors with and without management present to discuss the scope and findings of their audit and the adequacy of financial reporting and internal control.

James F. Kilgour, C.A.
General Manager

Kristine Seier, CMA
Secretary-Treasurer

Manitoba
spirited energy

Chartered Accountants and Advisors
Comptables agréés et conseillers

Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone (204) 956-7200
Telefax/Télécopieur (204) 926-7201
Toll Free/Sans frais 1-800-268-1337
www.bdo.ca

Auditors' Report

To the Board of Directors of
THE MANITOBA OPPORTUNITIES FUND LTD.

We have audited the balance sheet of THE MANITOBA OPPORTUNITIES FUND LTD. as at March 31, 2008 and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 27, 2008

THE MANITOBA OPPORTUNITIES FUND LTD.
Balance Sheet

March 31	2008	2007
Assets		
Current Assets		
Short-term investments (Note 3)	$ 19,886,197	$ 10,154,715
Accrued interest receivable	10,465	59,631
	19,896,662	10,214,346
Long-term investments (Note 4)	133,748,409	85,854,171
Deferred charges	6,801,662	4,430,534
	$160,446,733	$100,499,051
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,015,699	$ 1,298,693
Current portion of long-term debt (Note 5)	1,897,286	-
	3,912,985	1,298,693
Long-term debt (Note 5)	153,758,308	97,442,148
Retained Earnings	2,775,440	1,758,210
	$160,446,733	$100,499,051

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Income, Comprehensive Income and Retained Earnings

For the year ended March 31	2008	2007
Investment Income	$ 4,699,080	$ 3,233,192
Expenses		
Amortization of deferred charges	1,671,187	1,173,897
Professional fees	3,000	4,156
Program administration	78,150	79,576
	1,752,337	1,257,629
Operating income for the year	2,946,743	1,975,563
Growing Through Immigration Strategy Support (Note 6)	1,929,513	1,216,580
Net income and comprehensive income for the year	1,017,230	758,983
Retained earnings, beginning of year	1,758,210	999,227
Retained earnings, end of year	$ 2,775,440	$ 1,758,210

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 1,017,230	$ 758,983
Adjustments for		
Amortization of deferred charges	1,671,187	1,173,897
Increase in present value of long-term investments	(4,163,818)	(2,863,297)
	(1,475,401)	(930,417)
Changes in non-cash working capital balances		
Accrued interest receivable	49,166	(23,696)
Accounts payable and accrued liabilities	717,006	739,239
	(709,229)	(214,874)
Cash Flows from Investing Activities		
Purchase of long-term investments	(43,730,420)	(18,571,036)
Cash Flows from Financing Activities		
Advances from long-term debt	54,171,131	21,000,536
Increase in cash equivalents during the period year	9,731,482	2,214,626
Cash equivalents, beginning of period year	10,154,715	7,940,089
Cash equivalents, end of period year	$ 19,886,197	$ 10,154,715
Represented by		
Short-term investments	$ 19,886,197	$ 10,154,715

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Summary of Significant Accounting Policies

March 31, 2008

Basis of Accounting

The company's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Interest revenue on short-term investments is recorded on an accrual basis. Investment income on long-term investments is determined by the difference in the present value of the term note and the cost of the term note.

Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the company at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

Deferred Charges

Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.

Financial Instruments

The company utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value because of their short-term maturity of these instruments. The fair value of long-term investments is estimated based on current rates assumed for similar government guaranteed debt of the same maturity. The fair value of long-term debt, including current portion, is estimated based on current rates assumed for similar investments and debt of the same maturity.

All transactions related to financial instruments are recorded on a trade date basis.

The company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The company's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of certain investments in short-term investments. They are carried in the balance sheet at the fair value with changes in fair value recognized in the income statement. Transactions costs related to instruments classified as held-for-trading are expensed as incurred. Fair values are determined directly by reference to published price quotations in an active market.

Financial Instruments (continued)

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-to-maturity Investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Fair values are determined directly by reference to published price quotations in an active market.

Other Financial Liabilities - Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprises trade accounts payable and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets and the change in the effective portion of a cash flow hedge transaction. The company had no other comprehensive income items for the year. Because the company has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the company, are as follows:

Capital Disclosures - CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The company is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The company is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

International Financial Reporting Standards - The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the company's financial statements has yet to be determined.

1. Nature of Operations and Economic Dependence

The Manitoba Opportunities Fund Ltd. (the company) was incorporated under the laws of Manitoba on April 3, 2003. The company was formed due to the requirements of the Fund Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Immigrant Investor Program.

The object of the company is to hold and invest the Provincial allocation of immigrant's investments made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. The funds invested are distributed among participating Provinces. After five years, the company returns the Provincial allocation of the $400,000 investment, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the company repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the company invests the Provincial allocation funds for a period of five years and uses the interest income generated on the funds to create jobs and help the Manitoba economy grow.

The company is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the long-term debt payable to the Federal Government.

2. Change in Accounting Policy

On April 1, 2007, the company retroactively adopted, without restatement of prior periods, CICA Handbook Section 1530, "Comprehensive Income", Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the company's statement of income and retained earnings.

3. Short-term Investments

The short-term investments consist of 30 - 90 day deposit certificates held by the Province of Manitoba.

4. Long-term Investments

The long-term investments are made up of several 5 year zero coupon term notes which Manitoba Opportunities Fund Ltd. purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from January 2009 to March 2012. The effective interest rates range from 3.25% to 4.60% payable at the end of the 5 year term.

The discount on the bonds are amortized over the 5 year term. The present value of the bond less the face value is recorded each year as interest income.

5. Long-term Debt

	2008	2007
Government of Canada	$155,655,594	$ 97,442,148
Current portion of long-term debts	1,897,286	-
	$153,758,308	$ 97,442,148

The long-term debt represents the Provincial allocation of immigrant's investments repayable to the Federal Government five years after the Federal Government has distributed these funds to the Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being distributed to the Manitoba Opportunities Fund Ltd.

Principal repayments for the next five years are as follows:

2009	$ 1,897,286
2010	38,873,526
2011	33,918,052
2012	22,743,017
2013	58,223,713
	$155,655,594

6. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2008	2007
Business Settlement Office	$ 350,603	$ 210,343
Competitiveness, Training and Trade	233,392	-
Internationally Educated Engineers Qualification Program	157,800	120,000
Department of Labour and Immigration	990,233	827,100
Manitoba Agriculture, Food and Rural Initiatives	177,527	59,137
Manitoba Culture, Heritage, Tourism and Sport	19,958	-
	$ 1,929,513	$ 1,216,580

7. Related Party Transactions

The Fund paid $433,789 (2007 - $287,420) made up of program administration costs of $83,186 (2007 - $77,077) and Growing Through Immigration Strategy Support transfers of $350,603 (2007 - $210,343) to the Manitoba Development Corporation, which operates under control of a common Board of Directors.

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

1100 - 259 Portage Avenue
Winnipeg, MB CANADA
R3B 3P4

Phone (204) 945-2466
Fax (204) 957-1793

June 12, 2008

THE MANITOBA TRADE AND INVESTMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Office of the Auditor General of Manitoba, whose opinion is included herein. The Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

original signed by
Hugh Eliasson
Chair

original signed by
Brian Johnston
Financial Officer

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2008, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Trade and Investment Corporation as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

original signed by
Office of the Auditor General

Winnipeg, Manitoba
June 12, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2008
(With Comparative Figures for 2007)

ASSETS	2008	2007
Current Assets:		
Cash	$ 337,790	$ 320,305
Short-term investments	500,000	500,000
Accounts Receivable - Trade	2,731	6,845
Accounts Receivable - Province of Manitoba	-	24,947
Total Current Assets	840,521	852,097
TOTAL ASSETS	$ 840,521	$ 852,097
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 17,516	$ 32,204
Deferred Revenue (Note 6)	-	16,850
Operating Advance Payable (Note 3)	500,000	500,000
Total Current Liabilities	517,516	549,054
TOTAL LIABILITIES	517,516	549,054
RETAINED EARNINGS	323,005	303,043
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 840,521	$ 852,097

See accompanying notes to financial statements

Approved by

original signed by Chair of the Board

original signed by Financial Officer

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2008
(With Comparative Figures for 2007)

	2008	2007
Revenue:		
Salaries and Benefits Recoveries (Notes 2f , 4 and 5)	$ 276,657	$364,112
Participation Fees - Province of Manitoba & Government Enterprises (Notes 2f and 5)	10,258	2,833
Participation Fees - Other (Note 2f)	75,128	32,760
Interest (Note 5)	20,612	19,696
Total Revenue	382,655	419,401
Expenses:		
Salaries and Benefits (Note 4)	276,657	364,112
Contract Fees	6,273	9,103
Program	68,919	30,419
Audit Fees	10,660	6,100
Legal Fees	69	-
Miscellaneous	115	151
Total Expenses	362,693	409,885
Net Income and Comprehensive Income for the Year	19,962	9,516
Retained Earnings, beginning of year	303,043	293,527
Retained Earnings, end of year	$ 323,005	$303,043

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(With Comparative Figures for 2007)

	2008	2007
Operating Activities:		
Net Income and Comprehensive Income for the year	$ 19,962	$ 9,516
Changes in non-cash working capital		
Accounts Receivable - Trade	4,114	15,922
Accounts Receivable - Province of Manitoba	24,947	(4,129)
Accounts Payable and Accrued Liabilities	(14,688)	(690)
Deferred Revenue	(16,850)	16,850
Net cash flow from operating activities	17,485	37,469
Net increase in cash for the year	17,485	37,469
Cash, beginning of year	320,305	282,836
Cash, end of year	$ 337,790	$ 320,305

See accompanying notes to financial statements

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of the Legislature in 1974. The objectives of the Corporation, as set out in the Act, are to:

- encourage, promote, develop and increase Manitoba exports and trade;
- promote investment in Manitoba; and
- promote international business opportunities for Manitoba businesses and assist Manitoba businesses in promoting those business opportunities.

The Corporation is economically dependent on the Province of Manitoba as all project deficits incurred by the Corporation are recovered from the Province.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b. New Accounting Policies

Effective April 1, 2007 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Corporation has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Corporation has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash and short term investments are either held by or invested with the Province of Manitoba. These financial instruments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net income for the year. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and operating advance payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2008.

c. **Financial Instruments**

The Corporation's financial instruments consist of cash, short term investments, accounts receivable, accounts payable, accrued liabilities and operating advance payable.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, short term investments, accounts payable, accrued liabilities and operating advance payable approximates their carrying values due to their short-term maturity.

d. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to a Corporation, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Corporation's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted, effective April 1, 2008, will require additional disclosures in the financial statements.

f. Revenue Recognition

Salaries and benefits recoveries is recognized when services are rendered and when collection is reasonably assured.

Participation fees are recognized as revenue in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

g. Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at nil cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

3. Operating Advance Payable

The Corporation has a $500,000 non-interest bearing working capital advance from the Province of Manitoba. The advance is payable on demand.

4. Salaries / Benefits and related Recoveries

Up to January 18, 2008 the Corporation employed a number of staff, and recovered the associated salaries and benefits costs , from the Department of Competitiveness , Training and Trade. Effective January 19, 2008, all the Corporation's employees were transferred to the Department of Competitiveness, Training and Trade, and are no longer employees of the Corporation.

5. Related Party Transactions

The Corporation is related in terms of common ownership to all departments, Crown organizations and government enterprises created by the Province of Manitoba. The Corporation enters into transactions with these entities in the normal course of business. The Corporation records these transactions at the exchange amount, which is the amount, agreed upon by both parties.

During the year, the Corporation's transactions with related entities were as follows:

Salaries and Benefits Recoveries	$276,657
Participation Fees	$10,258
Interest Revenue	$20,612

6. Deferred Revenue

Deferred revenue represents fees received in advance of event days for specific trade projects. Changes in the deferred balance are as follows:

	2008 $	2007 $
Balance, beginning of year	16,850	-
Less amount recognized as revenue in the year	(16,850)	-
Add amounts received and deferred during the year	-	16,850
Balance, end of year	-	16,850

7. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

Manitoba

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

Original signed by R. Menon

R. Menon, P.Eng.
General Manager

Original signed by C. Brigden

C. Brigden
Financial Officer

June 6, 2008

Manitoba
spirited energy

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2008, the statements of operating revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
June 6, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Balance Sheet

as at March 31, 2008

(with comparative figures for 2007)

ASSETS	2008	2007
		(Restated, Note 15)
Current assets		
Cash	$ 921,536	$ 592,107
Accounts receivable	5,525,755	3,689,281
Prepaid supplies	74,678	71,379
Current portion, construction in progress (Note 3)	574,389	4,357,354
Accrued interest	16,434	41,291
	7,112,792	8,751,412
Long-term construction in progress (Note 3)	1,025,155	4,458,075
Property plant and equipment (Note 4)	13,304	13,304
	$ 8,151,251	$ 13,222,791

LIABILITIES	2008	2007
Current liabilities		
Accounts payable and accrued charges	$ 3,079,420	$ 4,531,202
Advances from the Province of Manitoba payable on demand	6,200,000	10,200,000
Current portion of long-term debt (Note 5)	-	3,909
	9,279,420	14,735,111
Funds retained (deficit) (Notes 6, 14 and 15)	(1,228,169)	(1,612,320)
Interest adjustment fund account (Note 7)	100,000	100,000
	(1,128,169)	(1,512,320)
	$ 8,151,251	$ 13,222,791

Commitments - Note 9
Contingencies - Note 10

APPROVED BY THE BOARD

Signed by Andrew Horosko

The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenses

for the year ended March 31, 2008
(with comparative figures for 2007)

	2008	2007
		(Restated, Note 15)
Revenues		
Sale of water	$ 2,275,039	$ 1,639,914
Administrative expenses paid by the Province of Manitoba (Note 8)	1,881,915	1,823,808
Interest	77,152	127,216
Total revenues	4,234,106	3,790,938
Expenses		
Direct expenses for water supply plants		
Interest - Advances payable on demand	490,872	569,431
- Long-term debt	215	13,697
Less: Interest allocated to new construction	(415,621)	(506,171)
	75,466	76,957
Chemicals	24,098	37,042
Amortization	-	94,512
Heat, light and power	413,362	372,143
Professional services	1,251,127	1,209,847
Salaries and benefits	149,909	159,310
Repairs and maintenance	79,449	91,990
Administrative expenses (Note 8)	1,881,915	1,823,808
Total expenses	3,875,326	3,865,609
Excess (deficiency) of revenues over expenses	358,780	(74,671)
Funds retained (deficit), beginning of year, as originally stated	(1,568,740)	(1,742,550)
Restatement of Prior Period (Note 15)	(44,130)	-
Funds retained (deficit), beginning of year, as restated	(1,612,320)	(1,742,550)
Disposition of funds (Note 6)	24,949	(55,072)
Funds retained (deficit), end of year (Note 6)	$ (1,228,169)	$ (1,612,320)

The Manitoba Water Services Board

Exhibit C

Statement of Cash Flows

for the year ended March 31, 2008

(with comparative figures for 2007)

	2008	2007
		(Restated, Note 15)
Cash provided by (used for):		
Operating activities		
Excess of operating revenues over expenses	$ 359,302	$ 185,302
Expense not involving cash - amortization	-	25,528
	359,302	210,830
Change in accounts receivable	(1,836,474)	2,720,331
Change in prepaid supplies	(3,299)	766
Change in accounts payable and accrued charges	(1,451,782)	(367,236)
Change in accrued interest	24,857	(3,775)
Cash provided by (used for) operating activities	(2,907,396)	2,560,316
Financing activities		
Advances received	9,990,353	14,903,136
Advances repaid	(11,314,809)	(11,652,972)
Debentures receivable principal repayments	-	93,216
Amortization expense	-	(765,242)
Change in bank indebtedness	-	(130,956)
Cash provided by (used for) financing activities	(1,324,456)	2,447,182
Investing activities		
Tangible capital assets	(28,298,827)	(3,586,178)
Funding received from:		
Province of Manitoba	13,226,270	11,152,111
Municipalities	23,122,742	(7,993,114)
Decrease (increase) in progress	7,215,686	(1,566,000)
Capital asset disposals	-	3,548
Plant surplus transferred to municipalities on disposition	24,849	(55,599)
Change in restricted cash	-	765,262
Cash provided by (used for) investing activities	7,240,734	(3,573,198)
Increase in cash	329,429	592,107
Cash, beginning of the year	592,107	-
Cash, end of the year	$ 921,536	$ 592,107

Interest paid during the year ended March 31, 2008 amounted to $491,087 (2007 - $574,521)

1 NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles (GAAP). Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the statement of Operating Revenue and Expenses. Separate equity accounts are maintained for each plant operated by the Board (Note 6).

(b) New accounting policies

Effective April 1, 2007 the Board adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosures is required when changes in accounting policies are made, when initial adoption of a primary source of GAAP has been issued but is not yet effective, and when the entity has not disclosed known or reasonably estimable information relevant to assessing the possible impact that the application of the new primary source will have on its financial statements in the period of initial application. The adoption of this section has no material impact on the Board's financial statements for the year ended March 31, 2008.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the statement of financial position. The standard also specifies how financial instruments gains and losses are presented. Initially, all financial assets and liabilities must be measured at fair value on the statement of financial position date. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading, (b) loans and receivables, (c) held-to-maturity, (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized costs. Available-for-sale are measured at fair value, with unrealized gains and losses recognized directly in funds retained.

Upon adoption of the new standard, the Board designated cash as held-for-trading, accounts receivable and accrued interest as loans and receivables, and accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and current portion of long-term debt as other liabilities. The Board has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective assets or liabilities carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on the financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

Capital assets which are constructed by the Board are recorded as Construction in Progress until the Capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the Construction in Progress amounts.

(d) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(e) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(f) Pension costs and obligations

The Board's employees are eligible for membership in the province's operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

(g) Future accounting policy changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosure* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards apply to the Board from April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirement, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

3 CONSTRUCTION IN PROGRESS

	2008	2007
Balance, beginning of year	$ 8,815,429	$ 4,528,465
New construction costs	29,232,547	36,768,011
	38,047,976	41,296,476
Funding recovered from:		
Municipalities	23,122,162	21,328,128
Province of Manitoba	13,326,270	11,152,919
	36,448,432	32,481,047
Balance, end of year	1,599,544	8,815,429
Less: current portion	574,309	4,357,354
Long-Term Construction in Progress	$ 1,025,235	$ 4,458,075

4 PROPERTY PLANT AND EQUIPMENT

	2008	2007
Land and easements	$ 13,304	$ 13,304
Buildings	645,771	645,771
Less: accumulated amortization	645,771	645,771
	-	-
Equipment	189,970	189,970
Less: accumulated amortization	189,970	189,970
Total property plant and equipment	$ 13,304	$ 13,304

5. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2008	2007
Advances from the Province of Manitoba:				
2007	October 31	9.400	-	3,909
Total advances payable			-	3,909
Less: current portion			-	3,909
Advances payable beyond one year			$ -	$ -

6. FUNDS RETAINED (DEFICIT)

Funds retained (deficit) consist of accumulated excess revenues over expenses pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whereas all plant operating reserves either are transferred to the municipalities

Funds retained (deficit) also include the gain on the sale of the Red River Regional Water Supply System of $31,759.

	No.	2008 Amount	No.	2007 Amount (Restated, Note 16)
Plants owned by the Board				
Plants with a deficit	6	$ (1,516,821)	6	$ (1,899,930)
Plants with a surplus	3	256,893	2	55,851
Total funds retained (deficit), water supply plants	9	$ (1,259,928)	8	$ (1,844,079)

6. FUNDS RETAINED (DEFICIT) (continued)

	2008 Amount	2007 Amount (Restated Note 15)
Other Funds Retained	$ 31,759	$ 31,759
Total funds retained (deficit)	$ (1,228,169)	$ (1,612,320)

During 2007/2008 disposition of funds includes capital works approved by the Board for the Baldur Water Treatment Plant, the Inglis Water Treatment Plant, Strathclair Water Treatment Plant and a contingency fund for the Carber Regional Water Co-operative.

7. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

8. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenses are as follows:

	2008	2007
Professional services	$ 13,956	$ 45,710
Salaries and benefits	1,610,166	1,551,392
Telephone and utilities	14,088	14,088
Travel	4,630	2,291
Rental for office premises	156,117	175,512
Other administrative	83,063	64,815
	$ 1,881,915	$ 1,823,808

9 COMMITMENTS

	2008	2007
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives	$ 41,366,800	$ 33,122,800
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 18,425,800	$ 15,592,900
Recovery of construction costs - Municipalities and Cooperatives	22,941,000	17,529,900
	$ 41,366,800	$ 33,122,800

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under The Loan Act. As at March 31, 2008, the Province had unused authority of $21,800,000 under The Loan Act, 2007 to provide the financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

The Board pays interest to the Province on these advance. Interest payable is set at Prime Less 0.75%. During 2007/2008 the rate of interest charged was between 4.50% - 5.50% on a quarterly basis.

10 CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

11 RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short term nature.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities.

14. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

15. RESTATEMENT OF PRIOR PERIOD

During the year it was determined that a payable to a Municipality related to a water utility was not recorded in the prior year. The correction was accounted for retroactively with a restatement of the prior period. As a result, excess of operating revenues over expenses has decreased by $44,130, funds retained (deficit) have increased by $44,130, and accounts payable and accrued charges has increased by $44,130 as at March 31, 2007.

Management's Responsibility

To the Board of Directors of Metis Child and Family Services Authority

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and management to discuss their audit findings.

June 5, 2008

Lisa Champagne
Chief Executive Officer

Auditors' Report

To the Board of Directors of Metis Child and Family Services Authority:

We have audited the statement of financial position of Metis Child and Family Services Authority as at March 31, 2008 and the statements of combined programs and changes in net assets and cash flows and related schedules for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

June 5, 2008

Chartered Accountants

Metis Child and Family Services Authority
Statement of Financial Position
As at March 31, 2008

	2008	2007
ASSETS		
Current Assets		
Cash	$ 249,084	$ 235,012
Accounts Receivable (Note 7)	3,990,122	2,871,249
Prepaid Expense	18,765	21,664
	4,257,971	3,127,925
Capital Assets (Note 2c, 8)	67,224	28,669
Due from Metis Child, Family and Community Services Agency Inc. (Note 9)	2,106,000	1,088,200
Total Assets	$ 6,431,195	$ 4,244,794
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$ 146,406	$ 106,370
Due to Manitoba Metis Federation Inc. (Note 10)	7,026	-
Due to Metis Child, Family and Community Services Agency Inc.	3,904,150	2,833,387
Deferred Contributions (Note 11)	120,694	85,791
	4,178,277	3,025,548
Due to Province of Manitoba (Note 9)	2,106,000	1,088,200
Deferred Contributions Related to Capital Assets (Note 12)	67,224	28,669
	6,351,500	4,142,417
NET ASSETS		
Unrestricted	79,695	82,377
	$ 6,431,195	$ 4,244,794

Approved on Behalf of the Board

Director _____

Director _____

Metis Child and Family Services Authority
Statement of Combined Programs and Changes in Net Assets
For the Year Ended March 31, 2008

	2008 Actuals	2007 Actuals	Actuals Variance
REVENUE			
Grant - Province of Manitoba	$ 21 977 832	$ 16 566 408	$ 5 411 424
Conference - Province of Manitoba	75 457	-	75 457
Education and Training	42 910	-	42 910
Information Matters Project	9 457	-	9 457
Interest	719	743	(24
Other	28 153	152	28 001
Amortization of Deferred Contributions Related to Capital Assets	11 979	4 367	7 612
Total Revenue	22 146 507	16 571 670	5 574 837
EXPENSES			
Agency Education and Training	41 609	4 948	36 661
Agency Maintenance	14 575 186	10 906 606	3 668 580
Agency Operations	6 187 512	4 858 690	1 329 822
Agency Transition	47 579	105 919	(58 340
Amortization of Capital Assets	11 979	4 367	7 612
Annual General Meeting	16 829	4 318	12 510
Authority Transition	-	7 418	(7 418
Bank Charges	573	556	17
Board Expenses	19 582	28 594	(9 011
Communications	20 488	5 924	14 564
Conference	75 457	-	75 457
Information Matters Project	9 450	-	9 450
Information Technology	17 281	6 554	10 727
Insurance	9 330	9 547	(217
Office	232 984	50 083	182 901
Other	850	734	116
Professional Development	14 418	1 270	13 148
Professional Fees	55 147	15 530	39 617
Salaries and Benefits	826 803	499 856	327 006
Staff Expenses	6 071	7 558	(1 515
Total Expenses	22 159 189	16 818 504	5 640 685
(Deficiency) Excess of revenue over expenses	$ (12 682)	$ 53 166	$ (65 848
Net assets beginning of year	92 377	39 211	53 166
Net assets end of year	$ 79 695	$ 92 377	$ 12 682

Metis Child and Family Services Authority
Statement of Cash Flows
For the Year Ended March 31, 2008

CASH PROVIDED BY (USED FOR)	2008	2007
OPERATING ACTIVITIES		
(Deficiency)/Excess of revenue over expenses	$ (12,682)	$ 53,166
Add (deduct) items not requiring cash outlay		
Amortization of Capital Assets	11,979	4,367
Amortization of Deferred Contributions Related to Capital Assets	(11,979)	(4,367)
	(12,682)	53,166
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts Receivable	(1,118,873)	(962,110)
Due to Metis Child, Family and Community Services Agency Inc	1,070,793	951,690
Prepaid Expenses	2,899	785
Accounts Payable	40,036	72,116
Amount due to Manitoba Metis Federation Inc	7,026	(10,333)
Deferred Contributions	24,873	(85,599)
	26,755	(13,450)
INVESTING ACTIVITIES		
Purchase of Capital Assets	(50,534)	(21,925)
Received Deferred Contributions Related to Capital Assets	50,534	21,925
	-	-
FINANCING ACTIVITIES		
Receipt of Loan from Province of Manitoba	1,017,800	-
Advance to Metis Child, Family and Community Services Agency Inc	(1,017,800)	-
	-	-
NET INCREASE IN CASH	14,072	39,716
CASH Beginning of Year	$ 235,012	$ 195,296
CASH End of Year	$ 249,084	$ 235,012

METIS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended MARCH 31, 2008

1. FORM OF ORGANIZATION

The Corporation was established as the Metis Child and Family Services Authority under section (4)c of the Child and Family Services Authority Act which was proclaimed into law on November 24, 2003.

The Metis Child and Family Services Authority (Authority) is a Corporation without share capital. The Board of Directors of the Authority is appointed by the Board of Directors of the Manitoba Metis Federation Inc. (Federation). The Metis Authority is responsible for administration and provision of child and family services to Metis and Inuit people. The Authority is non-taxable pursuant to paragraph 149(1)(l) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant account policies:

A. BASIS OF PREPARATION

The Manitoba Metis Federation Inc. appoints the Board of Directors of the Metis Child and Family Services Authority. The Metis Child and Family Services Authority mandates the Metis Child, Family and Community Services Agency Inc. (Agency). Separate audited financial statements are prepared for the Authority and the Agency.

The Authority has not been consolidated into the Manitoba Metis Federation Inc.'s financial statements.

B. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is based on the estimated useful lives of the capital assets.

C. CAPITAL ASSETS

Capital assets which are funded by the Province of Manitoba are recorded at cost in the statement of financial position and the related grant funding is recorded as deferred contributions related to capital assets.

The capital assets and the deferred contributions related to capital assets are amortized on the same basis in accordance with the estimated useful lives of the assets.

Capital assets which are not funded by the Province of Manitoba are capitalized at cost and are amortized over the estimated useful lives of the assets.

Capital assets are amortized on a straight-line basis as follows:

Office furniture and equipment	5 years
Computer equipment	5 years

D. RECOGNITION OF REVENUES

The organization follows the deferral method of accounting for contributions which include government grants and donations

Unrestricted contributions and program grants are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized

E. FUTURE ACCOUNTING CHANGES

On December 1, 2006 the CICA issued three new accounting standards Handbook Section 1535 – *Capital Disclosures* Handbook Section 3862 – *Financial Instruments – Disclosures* and Handbook Section 3863 – *Financial Instruments – Presentation* These new standards apply to the Authority from April 1, 2008

Section 1535 specifies the disclosure of (i) an entity's objectives policies and procedures and process for managing capital (ii) quantitative data about what the entity regards as capital (iii) whether the entity has complied with any capital requirements and (iv) if it has not complied the consequences of such non-compliance

Section 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation* revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks

The Authority is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009

3. CHANGE IN ACCOUNTING POLICY

The Authority adopted the new CICA Handbook Section 3855 – *Financial Instruments – Recognition and Measurement* on April 1, 2007 This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position The standard also specifies how financial instrument gains and losses are presented Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value Subsequent measurement is determined by the classification of each financial asset and liability Under this standard all financial instruments are classified as one of (a) held-for-trading (b) loans and receivables (c) held-to-maturity (d) available-for-sale or (e) other liabilities Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses Financial instruments classified as held-to-maturity loans and receivables and other liabilities are measured at amortized cost Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized directly in unrestricted net assets

3. CHANGE IN ACCOUNTING POLICY (*continued*)

Upon adoption of this new standard, the Authority designated cash as held-for-trading, accounts receivable and amounts due form the Metis Child, Family and Community Services Agency Inc. as loans and receivables, and accounts payable and accruals due to Manitoba Metis Federation Inc., due to Metis Child, Family and Community Services Agency Inc., and due to Province of Manitoba as other liabilities. The Authority has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset's or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on the Authority's net assets.

4. ECONOMIC DEPENDENCE

The Authority received the majority of its revenues from the Province of Manitoba and is economically dependent on continued Province of Manitoba revenues to fund future operations and programs.

5. RELATED PARTY TRANSACTIONS

The Authority rents office space from the Manitoba Metis Federation Inc. as disclosed in Note 6. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

6. COMMITMENTS

The Metis Child and Family Services Authority has leased office space from the Manitoba Metis Federation Inc. The term of this lease is for five (5) years with one five (5) year renewal term.

The following is a schedule of minimum lease payments:

	$
Year ending March 31, 2009	159,483
Year ending March 31, 2010	159,483
Year ending March 31, 2011	159,483
Year ending March 31, 2012	159,483

7. ACCOUNTS RECEIVABLE

	2008	2007
Province of Manitoba	$ 3,836,767	$ 2,862,412
Metis Child, Family and Community Services Agency Inc	33,483	9,610
Goods and Services Tax	3,475	2,971
Other Receivables	118,480	176
	3,992,205	2,875,169
Less: Allowance for Doubtful Accounts	(2,083)	(3,920)
	$ 3,990,122	$ 2,871,249

8. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office Furniture and Equipment	$ 8,056	$ 3,235	$ 4,823	$ 1,511
Computer Equipment	84,411	22,010	62,401	27,157
	$ 92,469	$ 25,245	$ 67,224	$ 28,668

9. AMOUNT DUE TO PROVINCE OF MANITOBA/DUE FROM METIS CHILD, FAMILY AND COMMUNITY SERVICES AGENCY INC.

The Province of Manitoba has advanced the Authority a non-interest bearing working capital loan of $2,106,000 which in turn was advanced by the Authority to the Agency as a non-interest bearing working capital loan. The advance is repayable by the Authority to the Province of Manitoba if the Authority's operations cease. The amount due from the Agency has no fixed terms of repayment.

10. DUE TO MANITOBA METIS FEDERATION INC.

Amounts owing are unsecured, non-interest bearing and due upon demand. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

11. DEFERRED CONTRIBUTIONS

	2008	2007
Balance, Beginning of Year	$ 95,791	$ 161,390
Core Contributions Received	93,619	97,232
Core Revenue Recognized	(21,167)	(56,912)
Transition Revenue Recognized	(47,579)	(105,919)
Balance, End of Year	$ 120,664	$ 95,791

12. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	2008	2007
Balance, Beginning of Year	$ 28,669	$ 11,111
Contributions Received	50,534	21,925
Amortization of Deferred Contributions	(11,979)	(4,367)
Balance, End of Year	$ 67,224	$ 28,669

13. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, accounts receivable due from Metis Child, Family and Community Services Agency Inc., accounts payable and accruals due to Manitoba Metis Federation Inc., due to Metis Child, Family and Community Services Agency Inc., and due to Province of Manitoba. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

14. COMPARATIVE FIGURES

Certain comparative figures for the year ended March 31, 2007 have been reclassified to the financial statement presentation adopted in 2008.

VOLUME 4 - SECTION 2

TABLE OF CONTENTS PAGE

Section 2:

CROWN ORGANIZATIONS (CONTINUED):

- Public School Divisions

Beautiful Plains School Division	June 30, 2007	543
Border Land School Division	June 30, 2007	558
Brandon School Division	June 30, 2007	573
Division Scolaire Franco-Manitobaine	June 30, 2007	587
Evergreen School Division	June 30, 2007	602
Flin Flon School Division	June 30, 2007	618
Fort La Bosse School Division	June 30, 2007	634
Frontier School Division	June 30, 2007	651
Garden Valley School Division	June 30, 2007	676
Hanover School Division	June 30, 2007	691
Interlake School Division	June 30, 2007	706
Kelsey School Division	June 30, 2007	720
Lakeshore School Division	June 30, 2007	733
Lord Selkirk School Division	June 30, 2007	748
Louis Riel School Division	June 30, 2007	762
Mountain View School Division	June 30, 2007	777
Mystery Lake School District	June 30, 2007	795
Park West School Division	June 30, 2007	815
Pembina Trails School Division	June 30, 2007	832
Pine Creek School Division	June 30, 2007	849
Portage La Prairie School Division	June 30, 2007	864
Prairie Rose School Division	June 30, 2007	880
Prairie Spirit School Division	June 30, 2007	897
Red River Valley School Division	June 30, 2007	912
River East Transcona School Division	June 30, 2007	926
Rolling River School Division	June 30, 2007	950
Seine River School Division	June 30, 2007	968
Seven Oaks School Division	June 30, 2007	984
Southwest Horizon School Division	June 30, 2007	1003
St. James-Assiniboia School Division	June 30, 2007	1021
Sunrise School Division	June 30, 2007	1041
Swan Valley School Division	June 30, 2007	1054
Turtle Mountain School Division	June 30, 2007	1071
Turtle River School Division	June 30, 2007	1086
Western School Division	June 30, 2007	1102
Whiteshell School District	June 30, 2007	1119
Winnipeg School Division	June 30, 2007	1132
Winnipeg Technical College	June 30, 2007	1147

NOTICE TO READER
VOLUME 4 – SECTION 2

Volume 4 – Section 2 contains the audited financial statements for public school divisions. These financial statements have been condensed to reflect only audited financial statements, notes and the schedule of tangible capital assets. The complete audited financial statements for public school divisions include a number of additional schedules that are required for management purposes, which have not been reproduced in this volume. Consequently, they cannot be expected to provide as complete an understanding as provided by the full financial statements, which can be obtained from the respective school division.

AUDITOR'S REPORT

(In accordance with subsection 41(1) of the Public Schools Act)

To the Board of Trustees
Beautiful Plains School Division

We have audited the consolidated statements of financial position of the Beautiful Plains School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Brandon, Manitoba

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,045,623	148,661
	- Federal Government	99,789	126,682
	- Municipal Government	2,305,463	2,205,765
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	25,970	18,039
	Accrued Investment Income	-	-
	Other Investments	-	
		3,476,845	2,499,147
	Liabilities		
5	Overdraft	1,002,676	1,143,344
	Accounts Payable	1,315,495	1,710,935
	Accrued Liabilities	87,399	86,717
	Employee Future Benefits	-	-
	Accrued Interest Payable	479,696	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	589,251	420,273
8	Debenture Debt	14,246,734	10,210,068
9	Other Borrowings	100,994	-
3d&7	School Generated Funds Liability	18,461	
		17,840,706	13,571,337
	Net Debt		
	Non-Financial Assets		
3e	Net Tangible Capital Assets (TCA Schedule)	16,648,453	23,296,842
	Inventories	-	-
	Prepaid Expenses	13,410	9,172
		16,661,863	23,306,014
10	**Accumulated Surplus**	2,298,002	12,233,824

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	9,753,107	9,035,857
	Federal Government	-	-
	Municipal Government - Property Tax	4,531,070	4,247,886
	- Other	-	-
	Other School Divisions	57,200	56,550
	First Nations	-	-
	Private Organizations and Individuals	50,348	66,104
	Other Sources	106,125	101,218
	School Generated Funds	303,908	
	Other Special Purpose Funds	13,610	
		14,815,368	13,507,615
	Expenses		
	Regular Instruction	7,256,291	7,216,907
	Student Support Services	1,633,624	1,485,297
	Adult Learning Centres	-	-
	Community Education and Services	12,514	12,378
	Divisional Administration	470,949	454,366
	Instructional and Other Support Services	277,451	482,073
	Transportation of Pupils	911,134	909,679
	Operations and Maintenance	1,341,680	1,365,085
13	Fiscal - Interest	1,238,999	720,083
	- Other	197,704	196,425
	Amortization	832,876	
	Other Capital Items	50,381	155,065
	School Generated Funds	271,392	
	Other Special Purpose Funds	13,610	
		14,508,605	12,997,358
	Current Year Surplus (Deficit)	306,763	510,257
	Opening Accumulated Surplus	12,233,824	11,723,567
11	Restatements: Tangible Cap. Assets and Accum. Amort.	(10,366,382)	
3d&6	Other than Tangible Cap. Assets	123,797	0
	Opening Accumulated Surplus, as restated	1,991,239	11,723,567
	Closing Accumulated Surplus	2,298,002	12,233,824

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	306,763
Amortization of Tangible Capital Assets	832,876
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	2,600
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	123,797
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	306,763
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	832,876
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	84,938
Deferred Revenue Increase/(Decrease)	168,978
School Generated Funds Liability Increase/(Decrease)	18,461
Restatements Other than Tangible Cap. Assets	123,797
Cash Provided by Operating Transactions	551,277
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	2,600
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	4,036,666
Other Borrowings Increase/(Decrease)	100,994
Cash Provided by (Applied to) Financing Transactions	4,137,660
Cash and Bank / Overdraft (Increase)/Decrease	140,668
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Beautiful Plains School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	19,287,550	844,291	2,113,718	53,290	814,204	-	183,789	-	-	23,296,842
Restatements	(2,755,402)	(2,780)	-	19,271	(685,049)	59,765	37,379	-	1,985,543	(1,341,273)
Opening Cost restated	16,532,148	841,511	2,113,718	72,561	129,155	59,765	221,168	-	1,985,543	21,955,569
Add:										
Additions during the year	5,851,057	-	171,787	-	65,436	25,453	-	-	(1,562,864)	4,550,869
Less:										
Disposals and write downs	-	-	85,366	-	-	-	-	-	-	85,366
Closing Cost	22,383,205	841,511	2,200,139	72,561	194,591	85,218	221,168	-	422,679	26,421,072
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,570,599	131,404	1,177,294	72,561	60,219	13,032	-	-	-	9,025,109
Opening restated	7,570,599	131,404	1,177,294	72,561	60,219	13,032	-	-	-	9,025,109
Add:										
Current period Amortization	595,016	25,368	174,964	-	19,405	18,123	-	-		832,876
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	85,366	-	-	-	-	-	-	85,366
Closing Accumulated Amortization	8,165,615	156,772	1,266,892	72,561	79,624	31,155	-	-	-	9,772,619
Net Tangible Capital Asset	14,217,590	684,739	933,247	-	114,967	54,063	221,168	-	422,679	16,648,453
Proceeds from Sale of Capital Assets	-		2,600	-	-	-	-			2,600

* Includes network infrastructure.

BEAUTIFUL PLAINS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Beautiful Plains School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. As well, a significant portion on local property taxation is required to maintain educational services. The Division would not be able to continue operations if either of these sources of funding were lost.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2005/06 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and funds held in the Division's Registered Charity. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable operations held by the Division.

d) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MAST (Manitoba Association of School Trustees) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representatives. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $ 34,011.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable donation funds held by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an operating $ 3,000,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law # 228) The operating fund is in an overdraft position due to the timing of property taxation. The Division does not receive any 2007 property taxation until November each year.

In addition, a capital projects $2,500,000 line of credit with the Beautiful Plains Credit Union has also been established. The purpose of the capital projects line of credit is to provide short term financing for the Public Schools Finance Board approved Carberry Collegiate School Construction project. Debentures will be issued to finance the project for the long term.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The Division has a Scholarship Fund which is included in Other Special Purpose Funds below. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Community Foundation Donations	$ 3,000	$ 750	$ 3,000	$ 750
Education Property Tax Credits (Fall)	417,273	514,760	417,273	514,760
Charitable Scholarship Fund	-	87,351	13,610	73,741
	$ 420,273	$ 602,861	$ 433,883	$ 589,251

7. School Generated Funds Liability & Revenue/Expense Presentation

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $18,461.

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 731,901	$ 912,462	$ 1,644,363
2009	786,225	858,138	1,644,363
2010	836,818	799,442	1,636,260
2011	883,340	736,896	1,620,236
2012	768,306	670,943	1,439,249
	$ 4,006,590	$ 3,977,881	$ 7,984,471

The above estimates will significantly change given $ 7,200,000 of new debentures resulting from the PSFB approved Carberry Collegiate Phase 2 Construction Project.

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. The Division has a loan in the amount of $100,994 at the Beautiful Plains Credit Union. This loan was establish to fund a portion of the Division Office Repair and Addition Project. Semi-Annual payments for interest and principal are $ 44,000

	2007	2006
Division Office Repair & Addition	100,994	402,914
	$ 100,994	$ 402,914

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	400,270
	400,270
Capital Fund	
Reserve Accounts	34,011
Equity in Tangible Capital Assets	1,707,408
	1,741,419
Special Purpose Fund	
School Generated Funds	156,313
Other Special Purpose Funds	-
	156,313
Total Accumulated Surplus	$ 2,298,002

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
School bus reserve	34,011
Other reserves	-
Capital Reserve	$ 34,011

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(1,341,273)
Accumulated Amortization	9,025,109
	(10,366,382)
Special Purpose Fund	
School Generated Funds	123,797
Other Special Purpose Funds	-
	123,797
Total Restatement of Opening Accumulated Surplus	$ (10,242,585)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2006 tax year and 52% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 4,531,070	$ 4,247,836
Receivable-Due from Municipal-Property Tax	$ 2,305,463	$ 2,205,765

13. Interest Received and Paid

The Division received interest during the year of $ 23,451 (previous year $ 13,800).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 22,224
Capital Fund	
Debenture debt interest	1,200,095
Other interest	16,680
	$ 1,238,999

The accrual portion of debenture debt interest expense of $ 479,696 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 9,140,163	$ 9,421,393	$ 9,120,043
Employees benefits & allowances	637,753	640,510	649,076
Services	1,071,100	1,114,206	1,110,653
Supplies, materials & minor equipment	995,532	975,700	909,520
Interest	1,238,999	705,230	720,003
Transfers (Other than Capital)	51,095	47,700	47,685
Payroll tax	197,704	201,500	196,425
Amortization	832,876	-	-
Other capital items	50,381	-	155,065
School generated funds	271,392	-	-
Other special purpose funds	13,610	-	-
	$ 14,508,605	$ 13,114,340	$ 12,997,358

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 ...aham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Telephone: (204) 956-7200
Fax/Télécopieur (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Border Land School Division

We have audited the consolidated statement of financial position of **The Border Land School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
October 19, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	2,137
	Due from - Provincial Government	711,150	521,796
	- Federal Government	85,264	98,759
14	- Municipal Government	4,663,237	4,338,115
	- Other School Divisions	266,617	225,565
	- First Nations	176,420	273,605
	Accounts Receivable	224,913	140,296
	Accrued Investment Income	-	-
	Other Investments	-	
		6,127,601	5,600,273
	Liabilities		
5	Overdraft	1,811,318	1,389,347
	Accounts Payable	717,554	936,135
	Accrued Liabilities	284,603	643,208
	Employee Future Benefits	-	-
	Accrued Interest Payable	270,387	-
	Due to - Provincial Government	72,561	82,690
	- Federal Government	39,339	786,337
	- Municipal Government	6,787	10,981
	- Other School Divisions	134,243	135,097
	- First Nations	-	-
7	Deferred Revenue	688,080	542,105
9	Debenture Debt	8,237,182	6,895,372
10	Other Borrowings	442,467	458,440
	School Generated Funds Liability	-	
		12,704,521	11,879,712
	Net Debt		
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	11,691,122	27,146,602
	Inventories	67,910	55,928
	Prepaid Expenses	78,369	29,649
		11,837,401	27,232,179
12	**Accumulated Surplus**	5,260,482	20,952,740

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	15,234,066	14,642,136
	Federal Government	611	672
14	Municipal Government - Property Tax	7,916,237	7,239,559
	- Other	697	-
	Other School Divisions	313,871	249,330
	First Nations	581,234	397,609
	Private Organizations and Individuals	207,079	193,185
	Other Sources	288,847	124,682
	School Generated Funds	544,923	
	Other Special Purpose Funds	-	
		25,087,565	22,847,173
16	**Expenses**		
	Regular Instruction	12,628,851	12,517,686
	Student Support Services	3,381,801	2,270,194
	Adult Learning Centres	451,278	449,058
	Community Education and Services	21,575	20,568
	Divisional Administration	701,250	637,382
	Instructional and Other Support Services	538,581	761,742
	Transportation of Pupils	1,651,685	1,710,618
	Operations and Maintenance	2,410,151	2,452,919
15	Fiscal - Interest	608,942	550,489
	- Other	359,732	324,101
	Amortization	929,494	
	Other Capital Items		304,338
	School Generated Funds	506,313	
	Other Special Purpose Funds	-	
		24,171,578	21,999,095
	Current Year Surplus (Deficit)	915,987	848,078
	Opening Accumulated Surplus	20,952,740	20,104,662
13	Restatements: Tangible Cap. Assets and Accum. Amort.	[illegible]	
	Other than Tangible Cap. Assets	140,048	0
	Opening Accumulated Surplus, as restated	4,344,494	20,104,662
	Closing Accumulated Surplus	5,260,481	20,952,740

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	915,987
Amortization of Tangible Capital Assets	929,494
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	18,075
Inventories (Increase)/Decrease	
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	140,048
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	915,987
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	929,494
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	2,137
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	145,975
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	140,048
Cash Provided by Operating Transactions	456,425
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	18,075
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	1,341,810
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	1,325,837
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Border Land School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,051,868	632,222	3,359,032	-	1,582,244	-	521,236	-	-	27,146,602
Restatements	(3,605,854)	(60,450)	(13,108)	41,069	(1,128,715)	156,725	(322,715)	-	522,955	(4,410,093)
Opening Cost restated	17,446,014	571,772	3,345,924	41,069	453,529	156,725	198,521	-	522,955	22,736,509
Add:										
Additions during the year	1,878,236	-	416,483	-	418,228	-	-	-	(490,639)	2,222,308
Less:										
Disposals and write downs	-	-	260,854	-	-	-	-	-	-	260,854
Closing Cost	19,324,250	571,772	3,501,553	41,069	871,757	156,725	198,521	-	32,316	24,697,963
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	9,801,657	178,536	2,161,763	14,507	145,741	35,997	-	-	-	12,338,201
Opening restated	9,801,657	178,536	2,161,763	14,507	145,741	35,997	-	-	-	12,338,201
Add:										
Current period Amortization	567,201	20,508	213,778	6,914	105,420	15,673	-	-		929,494
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	260,854	-	-	-	-	-	-	260,854
Closing Accumulated Amortization	10,368,858	199,044	2,114,687	21,421	251,161	51,670	-	-	-	13,006,841
Net Tangible Capital Asset	8,955,392	372,728	1,386,866	19,648	620,596	105,055	198,521	-	32,316	11,691,122
Proceeds from Sale of Capital Assets	-	-	18,075	-	-	-	-			18,075

* Includes network infrastructure.

Border Land School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2007

1. Nature of Organization and Economic Dependence

The Border Land School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement benefits to its non-teaching employees in the form of a defined contribution pension plan, and parental leave benefits to teachers. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for non-teaching employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Division has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Bank Overdraft

The Division has an authorized line of credit with Altona Credit Union of $7,000,000 by way of overdrafts and is repayable on demand at prime minus .50%; interest is paid monthly. Overdrafts are secured by a line of credit agreement and a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to non-teaching employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $286,075 ($265,972 in 2006).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 455,255	$ 580,224	$ 455,255	$ 580,224
Professional Development	21,299	17,190	6,390	32,099
Manitoba Textbook Bureau Grant	30,687	67,422	69,356	28,753
Donations & Special Purpose Funds	-	32,566	20,291	12,275
Rhineland Child Care	34,864	-	135	34,729
	$ 542,105	$ 697,402	$ 551,427	$ 688,080

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $Nil.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.375%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

2008	$ 979,612
2009	953,236
2010	952,233
2011	953,236
2012	875,183
	$ 4,713,500

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for administrative facilities.

	2007	2006
Altona Credit Union, Prime less .50% secured by demand promissory note, financing by-law and banking documents, repayable at $38,650 per year, due September 2022	442,467	458,440
	$ 442,467	$ 458,440

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 12,299	$ 26,351	$ 38,650
2009	12,975	25,675	38,650
2010	13,689	24,961	38,650
2011	14,442	24,208	38,650
2012	15,236	23,414	38,650
	$ 68,641	$ 124,609	$ 193,250

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $Nil ($Nil in 2006).

12. Accumulated Surplus

The consolidated accumulated surplus for 2007 is comprised of the following:

Operating Fund	
Designated Surplus	$ 843,403
Undesignated Surplus	1,203,373
	2,046,776
Capital Fund	
Reserve Accounts	203,488
Equity in Tangible Capital Assets	2,822,444
	3,025,932
Special Purpose Fund	
School Generated Funds	187,774
Other	-
	187,774
Total Accumulated Surplus	$ 5,260,482

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

School budget carryovers by board policy	$ 80,550
Applied to 2007 / 2008 Budget and Special Levy	354,608
Various projects	408,245
Designated surplus	$ 843,403

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

Bus Reserve	$ 203,488

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus for 2007 is comprised of:

Capital Fund	
Tangible Capital Assets	$ (4,410,093)
Accumulated Amortization	(12,338,201)
Accrued Loan Interest	(9,116)
	(16,757,410)
Special Purpose Fund	
School Generated Funds	149,164
Other	-
	149,164
Total Restatement of Opening Accumulated Surplus	$ (16,608,246)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 7,916,237	$ 7,239,559
Receivable – Due from Municipal – Property Tax	$ 4,663,230	$ 4,338,115

15. Interest Received and Paid

The Division received interest during the year of $23,199 ($29,104 in 2006); interest paid during the year was $608,942 ($550,489 in 2006).

Interest expense is included in Fiscal for 2007 and is comprised of the following:

Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 64,368
Capital Fund	
Debenture interest	520,675
Other interest	23,899
	$ 608,942

The accrual portion of debenture debt interest expense of $252,185 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 16,366,054	$ 16,437,311	$ 15,279,292
Employees benefits and allowances	1,311,667	1,250,858	1,249,117
Services	2,104,805	2,238,915	2,047,785
Supplies, materials & minor equipment	1,790,444	2,010,199	2,017,811
Interest	608,942	544,532	550,489
Bad debts	-	-	-
Payroll tax	359,732	346,789	324,101
Amortization	929,494	-	-
Transfers	212,201	137,000	226,162
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets 304,338		(18,075)	-
School generated funds	506,313	-	-
	$ 24,171,577	$ 22,965,604	$ 21,999,095

17. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $95,759 ($98,786 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $843,403 at June 30, 2007 ($183,120 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 9,999
2009	7,094

The school division also incurs annual rental costs in the amount of $10,000 for four colony school buildings.

19. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

20. Subsequent Events

Subsequent to year end, the Board of Trustees approved the sale of the New Hope School property for proceeds of $177,757.

The book value of the property at June 30, 2007 consisted of:

Land	$ 2,253
Building	205,153
Accumulated Amortization	(205,153)
Net book value	$ 2,253

The proceeds from the sale have been allocated to capital reserve accounts to support the relocation of the French Immersion program and for future classroom space requirements.

The Public Schools' Finance Board has approved the sale of the property and the establishment of the capital reserve accounts.

The French Immersion school, located in Letellier MB, was closed, effective June 30, 2007. The program was been relocated to Altona MB. The disposition of the property will proceed under the Public Schools' Finance Board guidelines.

Auditors' Report

To the Chairperson and Board of Trustees of
Brandon School Division

(In accordance with subsection 41(11) of the Public Schools Act)

We have audited the consolidated statement of financial position of **Brandon School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
October 1, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	1,586,739	-
*	Short Term Investments	11,300	-
	Due from - Provincial Government	1,226,790	3,057,084
	- Federal Government	108,784	75,152
	- Municipal Government	10,311,264	10,172,946
	- Other School Divisions	11,080	21,330
	- First Nations	88,630	-
	Accounts Receivable	46,033	249,075
	Accrued Investment Income	0	-
*	Other Investments	441	
		13,391,061	13,575,587
	Liabilities		
	Overdraft	0	3,373,082
	Accounts Payable	6,339,206	6,305,147
	Accrued Liabilities	194,453	1,176,270
*	Employee Future Benefits	713,677	-
	Accrued Interest Payable	505,663	-
	Due to - Provincial Government	0	-
	- Federal Government	0	-
	- Municipal Government	0	-
	- Other School Divisions	0	-
	- First Nations	0	-
*	Deferred Revenue	2,463,079	145,659
*	Debenture Debt	13,905,988	15,347,956
	Other Borrowings	0	-
	School Generated Funds Liability	3,846	
		24,125,911	26,348,114
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	22,924,374	52,560,240
	Inventories	53,965	54,527
	Prepaid Expenses	71,355	63,791
		23,049,694	52,678,558
*	**Accumulated Surplus**	12,314,844	39,906,031

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	37,766,628	36,147,850
	Federal Government	18,349	18,399
	Municipal Government - Property Tax	18,704,104	17,906,271
	- Other	0	-
	Other School Divisions	183,228	147,705
	First Nations	301,405	268,401
	Private Organizations and Individuals	711,819	657,119
	Other Sources	236,370	341,973
	School Generated Funds	1,429,490	
	Other Special Purpose Funds	118,882	
		59,470,274	55,487,718
	Expenses		
	Regular Instruction	32,375,906	31,014,626
	Student Support Services	10,032,035	8,203,475
	Adult Learning Centres	0	-
	Community Education and Services	152,802	104,128
	Divisional Administration	1,783,309	1,824,173
	Instructional and Other Support Services	1,646,607	3,046,975
	Transportation of Pupils	1,384,041	1,396,925
	Operations and Maintenance	5,529,436	5,362,402
*	Fiscal - Interest	1,743,364	1,450,782
	- Other	915,176	876,209
	Amortization	1,667,907	
	Other Capital Items		328,045
	School Generated Funds	1,400,950	
	Other Special Purpose Funds	56,943	
		58,679,482	53,607,740
	Current Year Surplus (Deficit)	790,792	1,879,978
	Opening Accumulated Surplus	39,906,031	38,026,053
	Restatements: Tangible Cap. Assets and Accum. Amort.	(29,012,797)	
*	Special Purpose Funds	630,818	0
	Opening Accumulated Surplus, as restated	11,524,052	38,026,053
	Closing Accumulated Surplus	12,314,844	39,906,031

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	790,792
Amortization of Tangible Capital Assets	1,667,907
Acquisition of Tangible Capital Assets	(1,044,838)
(Gain) / Loss on Sale of Tangible Capital Assets	(500)
Proceeds on Sale of Tangible Capital Assets	500
	623,069
Inventories (Increase)/Decrease	563
Prepaid Expenses (Increase)/Decrease	(4,564)
(Increase)/Decrease in Net Debt	1,406,859
Net Debt at Beginning of Year	(776,041)
Restatements Other than Tangible Cap. Assets	630,818
Net Debt at Beginning of Year as Restated	(145,223)
Net Debt at End of Year	(921,264)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	790,792.00
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,667,907.00
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	713,677.00
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	1,579,964.00
Accounts Receivable & Accrued Income (Increase)/Decrease	203,042.00
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	0.00
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	2,317,420.00
School Generated Funds Liability Increase/(Decrease)	3,846.00
Restatements Other than Tangible Cap. Assets	630,818.00
Cash Provided by Operating Transactions	7,446,569.00
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	500.00
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	
Cash Provided by (Applied to) Investing Transactions	
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	0.00
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	4,959,821.00
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	1,586,739.00

Brandon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	45,032,991	1,579,163	2,545,502	175,214	2,442,270	-	785,100	-	-	52,560,240
Restatements	4,508,805	302,915	-	33,573	(267,770)	116,510	398,854	-	21,196	5,114,083
Opening Cost restated	49,541,796	1,882,078	2,545,502	208,787	2,174,500	116,510	1,183,954	-	21,196	57,674,323
Add:										
Additions during the year	-	55,695	626,509	30,643	54,882	-	-	-	277,110	1,044,838
Less:										
Disposals and write downs	-	-	-	14,059	-	-	-	-	-	14,059
Closing Cost	49,541,796	1,937,773	3,172,011	225,371	2,229,381	116,510	1,183,954	-	298,306	58,705,102
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	29,484,892	976,542	1,344,610	157,273	2,072,505	91,058	-	-	-	34,126,880
Opening restated	29,484,892	976,542	1,344,610	157,273	2,072,505	91,058	-	-	-	34,126,880
Add:										
Current period Amortization	1,328,445	41,304	219,645	21,539	40,791	16,183	-	-		1,667,907
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	14,059	-	-	-	-	-	14,059
Closing Accumulated Amortization	30,813,337	1,017,846	1,564,255	164,753	2,113,296	107,241	-	-	-	35,780,728
Net Tangible Capital Asset	18,728,459	919,927	1,607,756	60,618	116,085	9,269	1,183,954	-	298,306	22,924,374
Proceeds from Sale of Capital Assets	-	-	-	500	-	-	-			500

* Includes network infrastructure.

1. ENTITY DEFINITION AND ECONOMIC DEPENDENCE

The Brandon School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is not subject to income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. COMPARATIVE FIGURES

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

The following is a summary of significant accounting polices of the Division:

a) Income Recognition
The financial statements are prepared in accordance with Financial Reporting and Accounting in Manitoba Education (FRAME) and have incorporated the Public Service Accounting Board (PSAB) standards. These standards are generally accepted accounting principles for all Manitoba school divisions that became effective July 1, 2006.

Significant accounting polices of FRAME are:

- Reporting Entity and Consolidation
The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

- Fund Accounting
The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing if capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

- Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

- Unearned Revenue

Grants received for specific purposes are deferred and recorded as revenue at the time the applicable expenditures are made.

- Debenture Payments

Debenture debt payments are reflected in the accounts when due and interest accruals are recorded in the accounts as of the statement date.

- Employee Future Benefits

Benefits plans that provide for future benefits to employees are costed in the period in which the future benefit was earned.

- Tangible Capital Assets

Individual Tangible Capital Assets that meet or exceed the capitalization threshold guidelines provided by PSAB are now recorded at cost as assets in the capital fund.

- Amortization

Amortization is now provided for on Tangible Capital Assets in the Capital Fund in accordance with PSAB. Land is not amortized and all other tangible capital assets are amortized on a straight line basis, with no residual value, based on the useful life of the asset. One half year of amortization is recorded in the year of acquisition and in the year of disposal.

3. SCHOOL GENERATED FUNDS

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. Where actual costs are not determinable, estimated costs have been determined.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

5. CAPITAL RESERVE

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

6. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

7. FINANCIAL INSTRUMENTS

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

8. CONVERSION TO PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

8. CONVERSION TO PSAB (continued)

iii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

iv. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

9. SHORT TERM INVESTMENTS

Short term investments consist of guaranteed investment certificates that mature within one year. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $11,300 (last year $11,300); investment income earned during the year was $264 (last year $264).

10. BANK OVERDRAFT

The Division has an authorized line of credit with CIBC of $4,500,000 by way of overdrafts and is repayable on demand at the bank's prime rate less 1.75%; interest is paid monthly.

11. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30,2007
Manitoba Textbook Bureau	$ 0	$ 0	$ 0	$ 0
Education property tax credit	0	2,282,321	0	2,282,321
Other special purpose funds	145,659	48,253	13,154	180,758
	$ 145,659	$ 2,330,574	$ 13,154	$ 2,463,079

12. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $3,845.

Student council funds	$3,845

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of nine months from July 1, 2006 to March 31, 2007.

13. DEBENTURE DEBT

The debenture debt of the Division is in the form of fifteen and twenty-year debentures payable, principal and interest, in fifteen and twenty equal yearly instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.0% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

	Total
2008	$ 1,678,960
2009	1,239,499
2010	1,106,239
2011	1,167,484
2012	962,718
	$ 6,154,900

14. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 442,982
Undesignated Surplus	1,799,957
	2,242,939
Capital Fund	
Reserve Accounts	410,062
Equity in Tangible Capital Assets	8,940,548
	9,350,610
Special Purpose Fund	
School Generated Funds	415,270
Other Special Purpose Funds	306,027
	721,297
Total Accumulated Surplus	12,314,846

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Prior year designated balances	$292,302
Board approved appropriation by motion	99,880
School budget carryovers by board policy	50,800
Designated surplus	459,982

14. ACCUMULATED SURPLUS (continued)

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	$ 134,909
Other reserves	275,153
Capital Reserve	410,062

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (provide details of Other Special Purpose Funds) use.

	2007
Foundation - Scholarship	$ 0
Other	306,027
Other Special Purpose Funds	306,027

15. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets & Accumulated Amortization	29,012,797
Special Purpose Fund	
School Generated Funds	386,730
Other Special Purpose Funds	244,088
	630,818
Total Restatement of Opening Accumulated Surplus	29,643,615

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

16. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45% from 2006 tax year and 55% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 18,704,104	$ 17,906,271
Receivable – Due from Municipal – Property Tax	$ 10,311,264	$ 10,172,946

17. INTEREST RECEIVED AND PAID

The Division received interest during the year of $213,029 (previous year $323,845); interest paid during the year was $1,743,364 (previous year $1,450,782).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 10,245
Capital Fund	
Debenture interest	1,733,119
Other interest	0
	$ 1,743,364

The accrual portion of debenture debt interest expense of $ 491,417 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

RAPPORT DE LA DIRECTION

La responsabilité de la direction pour la préparation des états financiers

Les états financiers consolidés de la Division scolaire franco-manitobaine qui accompagnent ce rapport sont la responsabilité de la direction et ont été préparés conformément à la législation, et selon les principes comptables généralement reconnus du Canada tel qu'établis par le Conseil sur la comptabilité dans le secteur public de l'Institut des comptables agréés du Canada. Le sommaire des principales politiques comptables est compris à la note 3 des états financiers consolidés.

La préparation des états financiers consolidés exige nécessairement l'utilisation d'estimations fondées sur le jugement de la direction, particulièrement lorsque les transactions touchant l'exercice courant ne peuvent pas être finalisées avec certitude avant les prochains exercices. La direction de la Division scolaire maintient un système de vérification interne conçu pour offrir une assurance raisonnable que les actifs sont protégés, que les transactions sont dûment autorisées et comptabilisées conformément aux exigences législatives et réglementaires et que des données financières fiables sont disponibles en temps opportun pour la préparation des états financiers consolidés. Ces systèmes sont surveillés et évalués par la direction.

La commission scolaire de la division scolaire a rencontré la direction et les vérificateurs externes afin de revoir les états financiers consolidés et de discuter des points importants se rattachant à la communication des informations financières ou aux contrôles internes avant qu'elle approuve les états financiers consolidés.

Les états financiers consolidés ont été vérifiés par BDO Dunwoody s.r.l., des vérificateurs externes indépendants, nommés par la commission scolaire. Le rapport des vérificateurs élabore leurs responsabilités, l'étendue de leur examen et leur opinion sur les états financiers consolidés de la division scolaire.

président

secrétaire-trésorier

le 27 septembre 2007

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 330 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

RAPPORT DES VÉRIFICATEURS

Au président et aux membres de la Commission scolaire
Division scolaire franco-manitobaine

(conformément aux dispositions du paragraphe 41(11) de la *Loi sur les écoles publiques*)

Nous avons vérifié les états consolidés de la situation financière de la **Division scolaire franco-manitobaine** (la «division scolaire») au 30 juin 2007 et les états consolidés des recettes, dépenses et de l'excédent accumulé, du changement de la dette nette et de l'évolution des liquidités pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la division scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers donnent, à tous égards importants, une image fidèle de la situation financière de la division scolaire au 30 juin 2007 ainsi que les résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

De plus, à notre avis, les autres états et annexes, en autant qu'ils se rattachent aux états financiers ci haut mentionné, présentent fidèlement l'information supplémentaire contenu par ces annexes.

BDO Dunwoody s.r.l.

Comptables agréés

Winnipeg (Manitoba)
le 27 septembre 2007

ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE

au 30 juin

Notes		2007	2006 (voir la note 2)
	Actif financier		
	Encaisse et fonds en banque	-	-
	Placements à court terme	115,147	-
	Sommes recevables - du gouvernement du Manitoba	4,070,971	3,543,482
	- du gouvernement fédéral	544,764	609,267
14	- de l'administration municipale	7,593,358	6,073,240
	- d'autres divisions scolaires	24,189	134,166
	- des Premières nations	-	-
	Comptes clients	143,766	173,948
	Revenu de placements à recevoir	-	-
	Autres placements	-	
		12,492,195	10,534,103
	Passif		
5	Découverts	9,418,301	12,094,554
	Comptes fournisseurs	2,165,082	2,217,755
	Charges à payer	490,994	392,655
6	Avantages sociaux à venir	186,649	-
	Intérêts courus à payer	1,020,893	-
	Sommes payables - au gouvernement du Manitoba	171,766	231,225
	- au gouvernement fédéral	1,717,424	1,637,584
	- à l'administration municipale	12,893	57,059
	- à d'autres divisions scolaires	193,512	203,507
	- aux Premières nations	-	-
7	Revenus reportés	208,475	198,004
9	Dette obligatoire	30,104,524	24,708,850
10	Autres emprunts	1,706,765	1,025,323
8	Passif des fonds générés par les écoles	216,541	
		47,613,819	42,766,516
	Dette nette		
	Actif non financier		
11	Immobilisations corporelles nettes (État des IC)	40,542,014	63,486,577
	Inventaires	-	-
	Charges payées d'avance	63,135	31,444
		40,605,149	63,518,021
12	**Excédent accumulé**	5,483,525	31,285,608

ÉTAT CONSOLIDÉ DES RECETTES, DES CHARGES ET DE L'EXCÉDENT ACCUMULÉ

For the Year Ended June 30

Notes		2007 Chiffres réels	2006 Chiffres réels (voir la note 2)
	Recettes		
	Gouvernement du Manitoba	41,180,813	38,895,763
	Gouvernement fédéral	1,613,511	582,963
14	Administration municipale - Taxe foncière	12,456,169	11,365,872
	- Autres	-	-
	Autres divisions scolaires	709,458	628,326
	Premières nations	-	-
	Organismes privés et particuliers	152,727	140,782
	Autres sources	176,000	312,278
	Fonds générés par les écoles	906,589	
	Autres fonds à fins spéciales	46,254	
		57,241,521	51,925,984
17	**Charges**		
	Enseignement ordinaire	27,274,579	26,041,356
	Services de soutien aux élèves	6,874,354	5,806,231
	Centres d'apprentissage pour adultes	-	-
	Education et services communautaires	611,837	135,269
	Administration de la division	1,753,877	1,857,049
	Services pédagogiques et autres serv. de soutien	1,438,797	2,226,725
	Transport des élèves	4,952,040	4,724,963
	Fonctionnement et entretien	5,507,758	4,867,841
15	Frais et taxes - Intérêts	3,038,470	2,059,426
16	- Autres	755,042	733,766
	Amortissement	1,342,351	
	Autres charges de capital	156,793	-
	Fonds générés par les écoles	885,077	
	Autres fonds à fins spéciales	44,856	
		54,635,831	48,452,626
	Excédent (Déficit) de l'exercice en cours	2,605,690	3,473,358
	Excédent accumulé d'ouverture	31,285,608	27,812,250
13	Réévaluations : Imm. corp. et amortissements acc.	(28,506,060)	
	Autres immobilisations corporelles	98,287	0
	Excédent accumulé d'ouverture, réévalué	2,877,835	27,812,250
	Excédent accumulé de clôture	5,483,525	31,285,608

ÉTAT CONSOLIDÉ DU CHANGEMENT DE LA DETTE NETTE

pour l'exercice s'étant terminé le 30 juin 2007

Excédent (Déficit) de l'exercice en cours	2,605,690
Amortissement des immobilisations corporelles	1,342,351
Acquisition d'immobilisations corporelles	
(Gain) Perte à la vente d'immobilisations corporelles	
Produit de la vente d'immobilisations corporelles	-
Inventaires – (Augmentation) Diminution	-
Charges payées d'avance – (Augmentation) Diminution	
(Augmentation) Diminution de la dette nette	
Dette nette au début de l'exercice	
Réévaluations : Autres que les immobilisations corporelles	98,287
Dete nette réévaluée, au début de l'exercice	
Dette nette à la fin de l'exercice	

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice s'étant terminé le 30 juin 2007

Fonctionnement	
Excédent (Déficit) de l'exercice en cours	2,605,690
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :	
Amortissement des immobilisations corporelles	1,342,351
(Gain) Perte à la liquidation des immobilisations corporelles	(0)
Augmentation (Diminution) des avantages sociaux à venir	186,649
Placements à court terme – (Augmentation) Diminution	(116,141)
Sommes recevables d'autres organismes – (Augmentation) Diminution	(1,873,127)
Comptes clients et recettes accumulées – (Augmentation) Diminution	30,182
Inventaires et charges payées d'avance – (Augmentation) Diminution	(31,430)
Sommes payables à d'autres organismes – Augmentation (Diminution)	(5,776)
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	1,066,559
Recettes reportées – Augmentation (Diminution)	10,471
Passif des fonds générés par les écoles – Augmentation (Diminution)	216,541
Réévaluations autres que celle des immobilisations corporelles	98,287
Liquidités issues des opérations du fonds d'adm. générale	3,502,985
Immobilisations	
Acquisition d'immobilisations corporelles	
Produit de la vente d'immobilisations corporelles	-
Liquidités (appliquées aux) fournies par les opérations portant sur les imm.	
Placements	
Autres placements – (Augmentation) Diminution	-
Liquidités fournies par (appliquées aux) opérations de placement	0
Financement	
Dette obligatoire – Augmentation (Diminution)	5,395,674
Autres emprunts – Augmentation (Diminution)	681,442
Liquidités fournies par (appliquées aux) opérations de financement	6,077,116
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	2,676,253
Encaisse et fonds en banque (Découverts) au début de l'exercice	(12,094,554)
Encaisse et fonds en banque (Découverts) à la fin de l'exercice	(9,418,301)

Division scolaire franco-manitobaine

ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2007

	Immeubles et améliorations locatives		Autobus scolaires	Autres véhicules	Mobilier / Accessoires et équipement	Matériel informatique et logiciels*	Terrains	Améliorations foncières	Immeubles en construction	Totaux
	Écoles	Autres								
Coût des immobilisations corporelles										
Coût d'ouv., signalé antérieurement	55,890,655	-	-	-	1,274,398	-	6,321,524	-	-	63,486,577
Réévaluations	(13,073,525)	285,413	-	55,127	(664,249)	128,217	383,384	198,950	3,596,817	(9,089,866)
Coût d'ouverture, réévalué	42,817,130	285,413	-	55,127	610,149	128,217	6,704,908	198,950	3,596,817	54,396,711
Plus :										
Ajouts faits durant l'exercice	7,815,383	-	-	-	194,408	-	1,660,338	195,900	(2,962,180)	6,903,848
Moins :										
Liquidations et radiations	-	-	-	-	81,493	-	-	-	(0)	81,493
Coût de clôture	50,632,513	285,413	-	55,127	723,063	128,217	8,365,246	394,850	634,637	61,219,066
Amortissements cumulés										
Valeur d'ouv., signalée antérieurement	-	-	-	-	-	-	-	-	-	-
Réévaluations	18,591,164	285,413	-	45,813	446,430	47,374	-	-	-	19,416,194
Valeur d'ouverture, réévaluée	18,591,164	285,413	-	45,813	446,430	47,374	-	-	-	19,416,194
Plus :										
Amortissements : pér. courante	1,198,027	-	-	6,210	96,541	21,830	-	19,743		1,342,351
Moins :										
Amortissements cumulés sur les liquidations et les radiations	-	-	-	-	81,493	-	-	-	-	81,493
Amortissements cumulés de clôture	19,789,191	285,413	-	52,023	461,478	69,204	-	19,743	-	20,677,052
Immobilisations corporelles nettes	30,843,322	-	-	3,104	261,585	59,013	8,365,246	375,107	634,637	40,542,014
Produit de la vente d'immobilisations	-	-	-	-	-	-	-			-

*Comprend l'infrastructure du réseau.

Division scolaire franco-manitobaine
Notes afférentes aux états financiers consolidés
Pour l'exercice terminé le 30 juin 2007

1. Nature de l'organisation et dépendance économique

La Division scolaire franco-manitobaine (la « Division scolaire ») est un organisme public qui fournit des services d'éducation à sa population estudiantine francophone du Manitoba. La Division scolaire est financée principalement par des subventions de la Province du Manitoba (la « Province »), et des prélèvements spéciaux. La Division scolaire et les divisions scolaires cédantes se partagent les taxes prélevées en proportion de leur nombre respectif d'élèves par rapport au total de tous les élèves résidant à l'intérieur des frontières des divisions cédantes.

La Division scolaire dépend du financement de la Province pour son fonctionnement ainsi que pour le financement de projets d'immobilisations. Sans ce financement, la Division scolaire ne pourrait pas continuer son fonctionnement.

2. Chiffres comparatifs

La Division scolaire a adopté les normes de comptabilité prescrites par le Conseil sur la comptabilité dans le secteur public (le « CCSP ») au cours de l'exercice terminé le 30 juin 2007. Les normes ont été appliquées aux périodes antérieures avec un redressement cumulatif qui a été apporté à l'excédent accumulé d'ouverture présenté comme un retraitement dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé. Les chiffres comparatifs de 2006 n'ont pas été retraités et sont présentés en conformité avec le manuel FRAME, les normes prescrites de comptabilité que la Division scolaire suivaient avant l'application des normes du CCSP.

3. Principales politiques comptables

Les états financiers consolidés ont été préparés par la direction en conformité avec les principes comptables généralement reconnus du Canada établis par le CCSP de l'Institut canadien des comptables agréés (l'« ICCA»).

Entité comptable et consolidation

Les états financiers consolidés comprennent les actifs, passifs, recettes et dépenses des fonds d'administration générale, de capital et d'emprunt et à fins spéciales de la Division scolaire. L'entité comptable de la Division scolaire comprend les fonds générés par les écoles et contrôlés par la Division scolaire.

Tous les soldes et opérations interfonds ont été éliminés à la consolidation.

Fonds en fiducie

Les fonds en fiducie et leurs opérations ne sont pas compris dans les états financiers consolidés puisqu'ils ne sont pas contrôlés par la Division scolaire et ne lui appartiennent pas. Un tableau des fonds en fiducie est annexé aux notes accompagnant les états financiers consolidés.

Selon les normes du CCSP, les fonds en fiducie sont les avoirs confiés à un fiduciaire (la Division scolaire) selon un contrat de fiducie ou la loi. Le fiduciaire administre les modalités de l'accord, et n'a aucun pouvoir unilatéral de changer les modalités du contrat de fiducie.

Méthode de comptabilité

Les recettes et les dépenses sont constatées selon la méthode de comptabilité d'exercice sauf lorsque les comptes de régularisation ne peuvent pas être établis avec un degré de certitude raisonnable ou lorsque leur estimation est irréalisable. Selon la comptabilité d'exercice, les recettes sont constatées à mesure qu'elles sont gagnées et qu'elles peuvent être mesurées, et les dépenses sont constatées à mesure qu'elles sont engagées et qu'elles peuvent être mesurées par suite de la réception des biens ou des services et de l'établissement d'une obligation légale de paiement. Les dépenses incluent l'amortissement des immobilisations corporelles.

Comptabilité par fonds

La méthode de comptabilité par fonds est utilisée par la Division scolaire pour inscrire les opérations financières dans des fonds séparés conformément au manuel Financial Reporting and Accounting in Manitoba Education (FRAME) et selon le but visé au moment de la création du fonds.

Le fonds d'administration générale sert à l'enregistrement de toutes les recettes et dépenses de fonctionnement courantes. Le fonds de capital est utilisé pour comptabiliser l'acquisition, l'amortissement, l'aliénation et le financement des immobilisations. Le fonds à fins spéciales est utilisé pour rendre compte des fonds générés par les écoles et des fondations de bienfaisance contrôlées par la Division scolaire.

Fonds générés par les écoles

Les fonds générés par les écoles sont des sommes recueillies par des écoles, ou sous leurs auspices, dans le cadre d'activités parascolaires pour leur usage exclusif et que les directions peuvent amasser, détenir, administrer et utiliser pour leurs écoles respectives, conformément aux règlements de la Commission scolaire.

Seules les recettes et les dépenses des fonds générés par les écoles et contrôlés par la Division scolaire sont incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé. Pour que ces fonds soient considérés comme étant contrôlés, une école doit avoir le pouvoir unilatéral de décider quand, comment et à quelles fins les fonds sont dépensés.

Le solde de l'encaisse et des placements à court terme de tous les fonds générés par les écoles sont inclus dans l'état consolidé de la situation financière. Le solde des fonds générés par les écoles et non contrôlés par la Division scolaire est présenté comme passif des fonds générés par les écoles dans l'état de la situation financière. Les exemples de fonds générés par les écoles et non contrôlés par la Division scolaire incluent les sommes recueillies par les comités de parents, associations d'étudiants et comités de voyage. Les recettes et les dépenses des fonds générés par les écoles et non contrôlés par la Division scolaire ne sont pas incluses dans les états financiers consolidés.

Immobilisations corporelles

Les immobilisations corporelles sont des actifs non financiers qui sont utilisés par la Division scolaire pour fournir des services à la population et qui ont une durée économique de plus d'un exercice. Les immobilisations corporelles comprennent les terrains, immeubles, améliorations foncières, autobus scolaires, autres véhicules, mobiliers, accessoires, équipements, matériels informatique, logiciels, améliorations locatives, contrats de location-acquisition et immeubles en construction.

Pour être classé comme immobilisation corporelle, chaque actif autre que les terrains doit individuellement respecter le seuil de capitalisation de sa catégorie conformément au manuel FRAME.

Description des biens	Seuil de capitalisation ($)	Durée de vie utile
Améliorations foncières	25 000	10 ans
Immeubles – briques, mortier, acier	25 000	40 ans
Immeubles – charpente en bois	25 000	25 ans
Autobus scolaires	20 000	10 ans
Véhicules	10 000	5 ans
Équipement	5 000	5 ans
Infrastructure du réseau	25 000	10 ans
Matériel informatique	5 000	4 ans
Logiciels	10 000	4 ans
Mobilier et accessoires	5 000	10 ans
Améliorations locatives	25 000	Selon la durée du bail

Le regroupement des actifs n'est pas permis, sauf pour les postes de travail informatisés.

À l'exception des terrains, des immobilisations obtenues à titre gratuit et des contrats de location-acquisition, toutes les immobilisations corporelles sont inscrites au coût d'origine, qui comprend le prix d'achat, les frais d'installation et les autres frais encourus pour mettre l'immobilisation en service.

Les bâtiments sont inscrits au coût d'origine lorsque celui-ci est connu. Pour les bâtiments acquis avant le 30 juin 2005 alors que le coût réel n'était pas connu, la valeur de remplacement aux fins des assurances en date du 30 juin 2005 a été établie par régression selon la date d'acquisition d'après un index fondé sur des indices des coûts de construction de Southam et CanaData.

Les contrats de location-acquisition sont inscrits selon la valeur actualisée des paiements minimaux exigibles à l'exclusion des frais accessoires (p. ex., assurances, entretien, etc.). Le taux d'escompte utilisé pour déterminer la valeur actuelle des paiements de location est le taux le plus bas entre le taux de la Division scolaire pour les emprunts additionnels et le taux d'intérêt implicite dans le bail.

Les immobilisations corporelles obtenues à titre gratuit sont inscrites selon la juste valeur marchande à la date du don. Les recettes reportées sont inscrites selon un montant équivalent pour tous les dons, à l'exception des terrains. Les recettes reportées seront comptabilisées comme recettes durant la vie utile de l'actif visé, comme dans le cas d'un amortissement.

Tous les terrains acquis avant le 30 juin 2006 ont été évalués par la Crown Lands and Property Agency.

Toutes les immobilisations corporelles, à l'exception des terrains, des contrats de location-acquisition et des immobilisations en cours, sont amorties selon la méthode linéaire durant leur durée de vie utile estimative conformément aux règles du manuel FRAME. Les terrains ne sont pas amortis. Les contrats de location-acquisition avec des modalités comprenant une option d'achat à prix préférentiel ou permettant le transfert de la propriété à la Division scolaire sont amortis selon la durée de vie utile de la catégorie d'immobilisations. Toutes les autres locations-acquisitions sont amorties selon la durée moindre entre la durée du contrat de location et la durée de vie utile de la catégorie d'immobilisations.

La moitié de l'amortissement annuel est imputée à l'année d'acquisition et à l'année de l'aliénation si l'amortissement n'est pas terminé.

Les immobilisations en cours ne sont pas amorties avant la date de l'achèvement substantiel des travaux. Les intérêts découlant des fonds utilisés pour financer les bâtiments scolaires en construction sont capitalisés pour les périodes précédant la date de l'achèvement substantiel des travaux.

Avantages sociaux futurs

La Province paie les prestations de l'employeur au Teachers' Retirement Allowances Fund (TRAF) qui est le régime de retraite de tous les enseignants certifiés de la Division scolaire. La Division scolaire ne contribue pas au TRAF, et aucuns frais se rapportant à ce régime ne sont inclus dans les états financiers consolidés de la Division scolaire.

La Division scolaire fournit un régime de retraite et d'autres avantages sociaux à son personnel de soutien. Ces avantages sociaux incluent un régime de retraite à cotisations déterminées, un congé parental et une pension de retraite anticipée. La Division scolaire a adopté les politiques comptables suivantes pour les avantages sociaux futurs :

Régime de retraite à cotisations déterminées

La Division scolaire verse la cotisation de l'employeur au régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba Association of School Trustees (MAST) - pour son personnel de soutien. Selon ce régime, des contributions spécifiques et déterminées sont versées par la Division scolaire à chaque période pour les services rendus par les employés à la hauteur des contributions des employés. Aucune responsabilité n'est assumée par la Division scolaire à l'égard de contributions futures.

Régimes à prestations déterminées et régimes autogérés d'avantages sociaux futurs des employés

En ce qui concerne les obligations liées aux régimes à prestations déterminées/régimes autogérés de prestations en fonction des événements de la vie, comme le congé parental non acquis, le coût des prestations n'est comptabilisé et inscrit que pour la période de l'événement. Pour ce qui est des obligations de bonification liées à la possibilité de prendre une retraite anticipée qui sont aussi liées aux événements de la vie, le coût des prestations est comptabilisé pour la période durant laquelle l'engagement de verser les prestations est approuvé par la Commission scolaire.

Utilisations des prévisions

Pour la préparation des états financiers conformément aux principes comptables généralement reconnus du Canada, la direction doit s'appuyer sur des prévisions et des hypothèses qui influent sur les montants inscrits d'actif et de passif à la date des états financiers, ainsi que sur les montants déclarés de recettes et de dépenses pendant la période visée. Les résultats réels peuvent différer des meilleures prévisions possibles de la direction au fur et à mesure qu'elle dispose de renseignements supplémentaires.

Instruments financiers

Les instruments financiers de la Division scolaire comprennent l'encaisse et fonds en banque, les placements à court terme, les sommes recevables et payables (gouvernement du Manitoba, gouvernement fédéral, administration municipale, autres divisions scolaires et Premières nations), les comptes clients, les revenus de placements à recevoir, les découverts, les comptes fournisseurs, les charges à payer, les avantages sociaux futurs, les intérêts courus à payer, la dette obligatoire et les autres emprunts.

À moins d'indication contraire, la direction est d'avis que la Division scolaire n'est pas exposée d'une façon significative au risque d'intérêt, d'échange ou de crédit découlant de ces instruments financiers.

4. Conversion aux normes du CCSP

À compter de l'exercice financier 2006-2007, la Commission scolaire a adopté les principes comptables généralement reconnus du CCSP. Tel qu'il est expliqué à la note 2, les chiffres comparatifs inclus dans ces états financiers n'ont pas été retraités afin d'assurer la conformité aux normes de comptabilité adoptées pour l'exercice financier courant.

Les changements suivants ont été mis en œuvre afin d'assurer la conformité aux normes du CCSP :

i. Les immobilisations corporelles ont été retraitées et amorties selon leur durée économique pour refléter leur valeur comptable nette. L'amortissement des immobilisations corporelles et le gain ou la perte à la liquidation des immobilisations sont constatés dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé.

ii. Le fonds d'administration générale, le fonds de capital et d'emprunt et le fonds à fins spéciales sont consolidés dans les états financiers. Le fonds à fins spéciales fut créé afin d'inclure les fonds générés par les écoles et les œuvres de bienfaisance contrôlés par la Division scolaire.

iii. Le passif pour avantages sociaux futurs fut établi pour comptabiliser l'engagement de la Division scolaire à payer à ses employés les avantages sociaux futurs acquis.

iv. Les intérêts courus à payer ont été établis afin de comptabiliser les charges courues des intérêts sur la dette obligatoire et autres emprunts depuis le dernier paiement. Un montant équivalent est présenté comme somme recevable de la Province afin de compenser les intérêts courus à payer sur la dette obligatoire.

5. Découverts

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Banque de Montréal pour des sommes de 13 500 000 $ pour le financement d'activités et de 12 500 000 $ pour le financement de projets d'immobilisations, sommes qui sont remboursables sur demande au taux préférentiel de la banque moins 0,5 % et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 3 735 000 $ qui seront présentés à la Commission des finances des écoles publiques aux fins du financement d'obligations. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

6. Avantages sociaux futurs

La Division scolaire participe à un régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba Association of School Trustees (MAST). Le régime à cotisations déterminées est offert aux membres du personnel de soutien selon leur âge au début de l'année et leur rémunération. Dans le cadre du régime de retraite du MAST, les contributions des employés sont établies en fonction d'un pourcentage spécifique selon leur groupe d'âge. La Division scolaire verse des contributions équivalentes à celles des employés. Aucun passif découlant du régime de retraite n'est présenté dans les états financiers.

Les dépenses liées aux avantages sociaux futurs sont incluses aux postes avantages sociaux et indemnités des employés. Le total des contributions au régime de retraite à cotisations déterminées pour l'exercice terminé le 30 juin 2007 se chiffre à 351 975 $ (374 376 $ en 2006).

7. Recettes reportées

On se sert de la méthode du report pour comptabiliser les recettes qui, en vertu de lois, de règlements ou d'ententes, ne peuvent être utilisées qu'à des fins spécifiques. Ces montants sont constatés comme recettes dans l'exercice au cours duquel les dépenses connexes sont engagées ou les services sont fournis. Voici les détails des soldes :

	Solde au 30 juin 2006	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2007
	$	$	$	$
Parlons petite enfance	59 054	-	10 509	48 545
Coalition petite enfance	67 750	251 469	211 446	107 773
Bébé en santé	7 528	61 800	56 901	12 427
C.T.I.	32 763	35 100	30 029	37 834
Manitoba Text Book Bureau	30 909	240 654	271 563	-
Autres	-	3 000	1 104	1 896
	198 004	592 023	581 552	208 475

8. Passif des fonds générés par les écoles

Le passif des fonds générés par les écoles et non contrôlés par la Division scolaire comprend l'encaisse de 216 541 $ présentés au poste des découverts dans l'état consolidé de la situation financière.

9. Dette obligatoire

La dette obligatoire de la Division scolaire se présente sous la forme d'obligations de 20 ans acquittables, capital et intérêts, en 20 versements annuels égaux et arrivant à échéance à diverses dates de 2007 à 2027. Le remboursement du capital et des intérêts est entièrement financé par des subventions de la Province du Manitoba. Les obligations portent des taux d'intérêt variant de 4,875 % à 12,25 %. La dépense liée aux intérêts courus sur la dette obligatoire au 30 juin 2007 est comptabilisée au poste des intérêts courus à payer, et une subvention équivalente aux intérêts courus sur la dette obligatoire est comptabilisée et présentée au poste des sommes recevables du gouvernement du Manitoba. Voici les versements du principal et de l'intérêt pour les cinq prochaines années :

	Principal	Intérêts
	$	$
2008	1 875 940	2 016 223
2009	1 934 312	1 858 744
2010	1 799 509	1 698 312
2011	1 693 670	1 556 108
2012	1 612 115	1 429 786
	8 915 546	8 559 173

10. Autres emprunts

Les autres emprunts incluent les dettes autres que les découverts et la dette obligatoire. Ils comprennent l'emprunt pour l'amélioration du rendement énergétique et des contrats de location-acquisition pour des photocopieuses et des voitures.

	2007	2006
	$	$
Amélioration du rendement énergétique	1 486 541	1 025 323
Contrats de location-acquisition	220 224	-
	1 706 765	1 025 323

Les emprunts pour l'amélioration du rendement énergétique portent des intérêts au taux préférentiel de la banque moins 0,5 % arrivant à échéance en 2009 et les versements mensuels sont de 9 969 $, principal et intérêts. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

Les contrats de location-acquisition pour les photocopieuses et voitures portent des intérêts à des taux allant de 4,08 % à 9,85 % par année, assortis d'échéances qui vont de 2008 à 2014 et d'un paiement mensuel global d'environ 8 677 $, principal et intérêts. Ces emprunts sont garantis par un contrat de location-acquisition.

Voici les versements de principal et d'intérêts des autres emprunts pour les cinq prochaines années :

	Principal	Intérêts
	$	$
2008	170 862	52 890
2009	157 872	43 603
2010	144 787	35 346
2011	134 391	27 789
2012	133 296	20 668
	741 208	180 296

11. Immobilisations corporelles nettes

L'état des immobilisations corporelles, qui est inclus à la page 23 des états financiers vérifiés, donne la ventilation des coûts, amortissements cumulés et valeurs comptables nettes par catégorie. Le montant des intérêts capitalisés au cours de l'exercice terminé le 30 juin 2007 et inclus au poste immeubles en construction s'élève à 257 283 $ (néant en 2006).

12. Excédents accumulés

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2007 :

	2007 $
Fonds d'administration générale	
Excédent désigné	-
Excédent non désigné	192 057
	192 057
Fonds de capital	
Comptes de réserve de capital	-
Avoir propre dans les immobilisations corporelles	4 998 085
	4 998 085
Fonds à fins spéciales	
Fonds générés par les écoles	282 900
Autres fonds à fins spéciales	10 483
	293 383
Excédents accumulés consolidés	5 483 525

13. Retraitement de l'excédent d'ouverture accumulé

Le retraitement de l'excédent d'ouverture accumulé comprend les éléments suivants au 1 juillet 2006 :

	2006 $
Fonds de capital	
Immobilisations corporelles	(9 089 866)
Amortissements cumulés	(19 416 194)
Dettes des équipements loués	(172 186)
	(28 678 246)
Fonds à fins spéciales	
Fonds générés par les écoles	261 388
Autres fonds à fins spéciales	9 085
	270 473
Total du retraitement de l'excédent d'ouverture accumulé	(28 407 773)

Le retraitement des postes notés ci-haut représentent les redressements sur exercices antérieurs pour l'excédent accumulé d'ouverture de l'exercice en cours. Ces redressements découlent de l'adoption des normes du CCSP.

14. Administration municipale – Impôt foncier et sommes recevables connexes auprès de l'administration municipale

Des impôts fonciers scolaires ou un prélèvement spécial sont recueillis à titre de la contribution de la Division au financement des coûts de la prestation des services d'éducation publique auprès des élèves qui résident au sein de la division. Le montant inclus au poste Recettes - Administration municipale - Impôt foncier qui figure dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé est prélevé sur une période de deux années civiles (d'imposition); dont 40 % provient de l'année d'imposition 2006 et 60 % de l'année d'imposition 2007. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2007 $	2006 $
Recettes – Administration municipale – Impôt foncier	12 456 169	11 365 872
Sommes recevables auprès de l'administration municipale – Impôt foncier	7 593 358	6 073 240

15. Intérêts reçus et versés

La Division a reçu au cours de l'exercice des intérêts de 21 112 $ (exercice précédent 3 910 $); et a versé des intérêts de 3 038 470 $ (exercice précédent 2 059 426 $).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2007 :

	2007 $
Fonds d'administration générale	
Frais et impôts – prêt à court terme, intérêts et frais bancaires	136 044
Fonds de capital	
Intérêts sur la dette obligatoire	2 803 823
Autres intérêts	98 603
	2 902 426
	3 038 470

La part cumulative des dépenses d'intérêts sur la dette obligatoire de 1 020 893 $ qui est incluse au poste Fonds de capital et d'emprunt - Intérêts sur la dette obligatoire, est contrebalancée par le montant cumulatif de la subvention pour le remboursement de la dette de la Province du Manitoba.

16. Provision pour créances douteuses

Toutes les créances à percevoir présentées dans l'état consolidé de la situation financière sont inscrites après déduction de la provision pour les créances douteuses spécifiques. Voici la provision totale pour créances douteuses en date du 30 juin 2007 :

	2007 $
Provision pour créances douteuses déduites des créances	39 245
Créances douteuses (incluses au poste frais et impôts)	39 245

17. Dépenses selon l'objet

Les dépenses incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé sont présentées par fonction conformément au manuel FRAME. Voici les détails des dépenses par objet :

	Chiffres réels 2007 $	Budget 2007 $	Chiffres réels 2006 $
Salaires	33 684 752	33 240 764	32 192 154
Avantages sociaux et indemnités des employés	2 206 679	2 381 532	2 209 458
Services	9 740 019	9 883 946	8 992 534
Fournitures, matériel et petit équipement	2 598 589	2 519 486	2 070 549
Intérêts et frais bancaires	3 038 470	2 062 396	2 059 426
Créances douteuses	39 245	-	-
Impôt sur la paie	715 797	650 000	733 766
Transferts	183 203	137 249	194 739
Amortissements	1 342 351	-	-
Autres éléments de capital	156 793	-	-
Fonds générés par les écoles	885 077	-	-
Autres fonds à fins spéciales	44 856	-	-
	54 635 831	50 875 373	48 452 626

18. Éventualités

École Taché

La Division scolaire franco-manitobaine a inscrit dans son fonds de capital et d'emprunt les coûts liés à l'actif immobilisé de l'École Taché. La DSFM est en voie d'effectuer l'expropriation d'un terrain adjacent à l'École Taché. Les coûts engagés jusqu'à maintenant pour l'expropriation sont inscrits dans le fonds de capital et d'emprunt. Les coûts supplémentaires seront enregistrés au fonds de capital et d'emprunt dans l'année où ces coûts seront déterminés.

La Commission de l'évaluation foncière a déposé une décision en avril 2006 où elle prétendait confirmer certaines dépenses exigibles auprès de la DSFM. La DSFM a interjeté appel de cette décision devant la Cour d'appel du Manitoba. Il est impossible de déterminer les pertes ou les gains relativement à cette situation en ce moment. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

Autres

Au cours de l'exercice 2006-2007, la Division scolaire a été nommée dans une réclamation. Cette réclamation n'a présentement pas d'instance devant la Cour. Il est impossible de déterminer les pertes ou les gains relativement à cette situation en ce moment. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

19. Engagements contractuels

Des ententes pour le transport des élèves ont été conclues jusqu'à juin 2010. Les frais pour ces services se chiffrent à environ 4 500 000 $ par année.

Des ententes de location des écoles ont été conclues avec diverses divisions scolaires et organismes. Un montant estimé a été inscrit comme créance et comme dépense pour l'année courante car les montants pour la location n'ont pas été finalisés. Tous les ajustements rétroactifs seront enregistrés dans l'année où ils auront été déterminés.

20. Fonds en fiducie

La Division scolaire n'administre aucun fonds en fiducie.

21. Société contrôlée

La Division scolaire contrôle un organisme de bienfaisance. Les actifs, passifs et excédent accumulé de l'organisme de bienfaisance sont présentés dans l'état de la situation financière du fonds à fins spéciales. Les recettes, dépenses et retraitement de l'excédent accumulé d'ouverture de l'organisme de bienfaisance sont présentés dans l'état des recettes, des dépenses et de l'excédent accumulé du fonds à fins spéciales.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Evergreen School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 23, 2007

Collins Barrow

Chartered Accountants

201 Portage Place
One Lombard Place
Winnipeg, Manitoba
R3B 0Y6

T.
F.

Auditors' Report

To the Chairperson and Trustees
Evergreen School Division

We have audited the Consolidated Statement of Financial Position for the Evergreen School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue for the special purpose fund, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
October 23, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
6	Short Term Investments	99,669	-
	Due from - Provincial Government	577,847	252,267
	- Federal Government	122,982	81,902
14	- Municipal Government	2,833,716	2,825,701
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	118,204	224,801
	Accrued Investment Income	1,991	-
	Other Investments	-	
		3,754,409	3,384,671
	Liabilities		
5	Overdraft	819,188	1,463,337
	Accounts Payable	547,969	329,610
	Accrued Liabilities	1,224,227	1,091,410
	Employee Future Benefits	-	-
	Accrued Interest Payable	319,750	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	14,644	4,916
9	Debenture Debt	12,006,109	12,232,034
10	Other Borrowings	180,932	269,900
	School Generated Funds Liability	15,806	
		15,128,625	15,391,207
	Net Debt	(11,374,216)	(12,006,536)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	14,445,929	22,233,438
	Inventories	-	-
	Prepaid Expenses	44,707	42,299
		14,490,636	22,275,737
12	**Accumulated Surplus**	3,116,420	10,269,201

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	10,785,537	9,891,930
	Federal Government	-	1,469
14	Municipal Government - Property Tax	5,219,149	5,068,460
	- Other	-	-
	Other School Divisions	57,090	68,434
	First Nations	208,930	173,717
	Private Organizations and Individuals	140,079	143,790
	Other Sources	25,917	16,210
	School Generated Funds	275,250	
	Other Special Purpose Funds	20,499	
		16,732,451	15,364,010
	Expenses		
	Regular Instruction	7,996,890	7,839,946
	Student Support Services	2,107,970	1,774,050
	Adult Learning Centres	-	-
	Community Education and Services	193,919	204,208
	Divisional Administration	548,036	531,232
	Instructional and Other Support Services	422,078	607,650
	Transportation of Pupils	907,988	928,145
	Operations and Maintenance	1,762,827	1,756,033
15	Fiscal - Interest	1,148,281	753,077
	- Other	221,209	216,010
	Amortization	822,775	
	Other Capital Items		-
	School Generated Funds	262,953	
	Other Special Purpose Funds	13,050	
		16,404,976	14,610,351
	Current Year Surplus (Deficit)	327,475	753,659
	Opening Accumulated Surplus	10,269,201	9,515,542
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,679,702)	
13	Other than Tangible Cap. Assets	199,446	0
	Opening Accumulated Surplus, as restated	2,788,945	9,515,542
	Closing Accumulated Surplus	3,116,420	10,269,201

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	327,475
Amortization of Tangible Capital Assets	822,775
Acquisition of Tangible Capital Assets	(714,968)
(Gain) / Loss on Sale of Tangible Capital Assets	(3,000)
Proceeds on Sale of Tangible Capital Assets	3,000
	107,807
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(2,408)
	(2,408)
(Increase)/Decrease in Net Debt	432,874
Net Debt at Beginning of Year	(1,199,446)
Restatements Other than Tangible Cap. Assets	199,446
Net Debt at Beginning of Year as Restated	(1,000,000)
Net Debt at End of Year	(567,126)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	327,475
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	822,775
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	104,606
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	670,926
Deferred Revenue Increase/(Decrease)	9,728
School Generated Funds Liability Increase/(Decrease)	15,806
Restatements Other than Tangible Cap. Assets	199,446
Cash Provided by Operating Transactions	1,671,010
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	3,000
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	644,149
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Evergreen School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,886,774	404,676	2,094,460	175,204	505,146	-	167,178	-	-	22,233,438
Restatements	2,397,582	298,082	10,218	(1,100)	(239,161)	-	70,900	-	34,075	2,570,596
Opening Cost restated	21,284,356	702,758	2,104,678	174,104	265,985	-	238,078	-	34,075	24,804,034
Add:										
Additions during the year	265,944	-	-	-	17,312	-	-	-	431,712	714,968
Less:										
Disposals and write downs	-	-	42,576	-	-	-	-	-	-	42,576
Closing Cost	21,550,300	702,758	2,062,102	174,104	283,297	-	238,078	-	465,787	25,476,426
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,313,595	300,900	1,380,231	117,293	138,279	-	-	-	-	10,250,298
Opening restated	8,313,595	300,900	1,380,231	117,293	138,279	-	-	-	-	10,250,298
Add:										
Current period Amortization	607,245	18,634	137,475	25,620	33,801	-	-	-		822,775
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	42,576	-	-	-	-	-	-	42,576
Closing Accumulated Amortization	8,920,840	319,534	1,475,130	142,913	172,080	-	-	-	-	11,030,497
Net Tangible Capital Asset	12,629,460	383,224	586,972	31,191	111,217	-	238,078	-	465,787	14,445,929
Proceeds from Sale of Capital Assets	-	-	3,000	-	-	-	-			3,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006-07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Evergreen Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

3. Significant Accounting Policies - Continued

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10

Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

3. Significant Accounting Policies - Continued

e) Tangible Capital Assets - continued

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does

not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

i. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

ii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The Division applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with The Gimli Credit Union Limited of $4,000,000.00 by way of overdrafts and is repayable on demand at prime less .875%; interest is paid monthly. $3,188,930 remains available on this line of credit. In addition, the Division has a line of credit with The Gimli Credit Union Limited of $2,000,000 by way of overdraft for a capital project totaling approximately $1,975,000 which will be submitted to PSFB for debenture funding. $1,842,060 remains available on this line of credit.. Overdrafts are secured by a temporary borrowing by-law.

6. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $3,847.

7. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $15,806.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 1987 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in

Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 539,889	$ 761,655	$1,301,544
2009	617,877	802,214	1,420,091
2010	639,704	760,511	1,400,215
2011	682,150	718,065	1,400,215
2012	707,540	672,685	1,380,225
	$3,187,160	$3,715,130	$6,902,290

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to purchase school buses.

School bus loan has 6.25% interest per annum, due in 2009 and a monthly payment of $8,808 including principal and interest. This loan is secured by way of a borrowing By-law.

Principal and interest repayment of total Other Borrowings in the next two years are:

	Principal	Interest	Total
2008	$ 97,143	$ 8,557	$ 105,700
2009	83,789	2,374	86,163
	$ 180,932	$ 10,931	$ 191,863

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$25,476,426	$11,030,497	$14,445,929
Capital lease	-	-	-
	$25,476,426	$11,030,497	$14,445,929

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 431,148	$ 309,277
Undesignated Surplus	472,666	592,921
	903,814	902,198
Capital Fund		
Reserve Accounts	433,064	164,328
Equity in Tangible Capital Assets	1,560,350	9,202,675
	1,993,414	9,367,003
Special Purpose Fund		
School Generated Funds	69,726	
Other Special Purpose Funds	149,466	
	219,192	-
Total Accumulated Surplus	$ 3,116,420	$10,269,201

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	2,570,596
Accumulated Amortization	10,250,298
	(7,679,702)
Special Purpose Fund	
School Generated Funds	57,428
Other Special Purpose Funds	142,018

	199,446
Total Restatement of Operating Accumulated Surplus	$(7,480,256)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44% from 2006 tax year and 56% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$5,219,149	$5,068,460
Receivable-Due from Municipal-Property Tax	$2,833,716	$2,825,701

15. Interest Received and Paid

The Division received interest during the year of $25,917 (previous year $16,210); interest paid during the year was $1,148,281(previous year $753,077).

Interest expense is included in Fiscal and is comprised of the following:

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 32,447	$ 27,625
Capital Fund		
Debenture debt interest	1,102,248	725,452
Other interest	13,586	
	$1,148,281	$ 753,077

The accrual portion of debenture debt interest expense of $319,304 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$10,379,998	$10,400,072	$10,029,362
Employees benefits and allowances	840,175	931,225	855,111
Services	1,538,442	1,553,165	1,515,997
Supplies, materials and minor equipment	1,129,114	1,214,329	1,183,834
Interest	1,148,281	832,944	753,077
Bad debts	-	-	-
Payroll tax	221,209	215,000	216,010
Transfers	51,979	75,500	56,960
Amortization	822,775		
(Gain) and disposal of capital assets	(3,000)		
School generated funds	262,953		
Other special purpose funds	13,050		
	$16,404,976	$15,222,235	$14,610,351

17. Subsequent Events

Subsequent to June 30, 2007, debentures listed below have been received from the Province of Manitoba. These debentures cover the overdraft and account payable in the Capital Fund in addition to other project costs covered in the overdraft in the Operating Fund.

Debenture Date	By-Law	Debenture Amount
July 15, 2007	5/07	$ 281,500
July 15, 2007	6/07	117,300
September 30, 2007	7/07	649,800

18. Budget Figures and Non Financial Information

The 2007 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

AUDITOR'S REPORT

To the Board of Trustees
Flin Flon School Division
Flin Flon, Manitoba

We have audited the Consolidated statements of Financial Position, Revenue, Expenses, and Accumulated Surplus, Change in Net Debt and Cash Flow of the Flin Flon School Division as at June 30, 2007 and for the year then ended. The consolidated financial statements include the operating, capital and special purpose funds.

These financial statements are the responsibility of the School Division's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluation the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2007. In our opinion, supplemental schedules when considered in relation to the basic financial statements, present fairly in all material respects, the information shown therein.

Our examination did not include the budget figures, student enrolments, and full time equivalent personnel.

Kendall Wiebe Pandya

Flin Flon, Manitoba
November 1, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	392,976	245,671
	Short Term Investments	-	-
	Due from - Provincial Government	111,701	136,573
	- Federal Government	-	-
	- Municipal Government	1,372,245	1,345,198
	- Other School Divisions	-	-
	- First Nations	32,487	-
	Accounts Receivable	185,804	361,274
	Accrued Investment Income	-	-
	Other Investments	-	
		2,095,213	2,088,716
	Liabilities		
	Overdraft	-	-
	Accounts Payable	93,177	67,544
	Accrued Liabilities	1,085,463	1,176,397
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
8	Deferred Revenue	397,235	272,052
7	Debenture Debt	1,566,724	974,365
	Other Borrowings	-	710
	School Generated Funds Liability	141,069	
		3,283,668	2,491,068
	Net Debt		
	Non-Financial Assets		
16	Net Tangible Capital Assets (TCA Schedule)	3,139,402	10,592,607
	Inventories	-	-
	Prepaid Expenses	23,795	75,179
		3,163,197	10,667,786
15	**Accumulated Surplus**	1,974,742	10,265,434

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	7,527,767	7,404,209
	Federal Government	30,338	26,328
	Municipal Government - Property Tax	2,798,304	2,681,602
	- Other	-	-
	Other School Divisions	215,476	203,702
	First Nations	99,213	58,962
	Private Organizations and Individuals	322,753	634,840
	Other Sources	68,314	107,713
	School Generated Funds	416,032	
	Other Special Purpose Funds	-	
		11,478,197	11,117,356
	Expenses		
	Regular Instruction	6,209,580	6,699,359
	Student Support Services	1,770,936	1,347,442
	Adult Learning Centres	82,800	-
	Community Education and Services	10,750	5,000
	Divisional Administration	550,663	522,493
	Instructional and Other Support Services	293,449	503,063
	Transportation of Pupils	287,487	277,150
	Operations and Maintenance	1,656,786	1,656,912
10	Fiscal - Interest	99,642	84,377
	- Other	212,893	179,725
	Amortization	257,841	
	Other Capital Items	-	-
	School Generated Funds	429,666	
	Other Special Purpose Funds	-	
		11,862,493	11,275,521
	Current Year Surplus (Deficit)	(384,296)	(158,165)
	Opening Accumulated Surplus	10,265,434	10,423,599
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,920,030)	
17	Other than Tangible Cap. Assets	13,634	0
	Opening Accumulated Surplus, as restated	2,359,038	10,423,599
	Closing Accumulated Surplus	1,974,742	10,265,434

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(384,296)
Amortization of Tangible Capital Assets	257,841
Acquisition of Tangible Capital Assets	(724,880)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	51,384
	51,384
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	13,634
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(384,298)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	257,841
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(34,662)
Accounts Receivable & Accrued Income (Increase)/Decrease	175,470
Inventories and Prepaid Expenses - (Increase)/Decrease	51,384
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(5,000)
Deferred Revenue Increase/(Decrease)	125,183
School Generated Funds Liability Increase/(Decrease)	141,069
Restatements Other than Tangible Cap. Assets	13,634
Cash Provided by Operating Transactions	280,322
Capital Transactions	
Acquisition of Tangible Capital Assets	(280,322)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to) Provided by Capital Transactions	(280,322)
Investing Transactions	
Other Investments (Increase) Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	592,359
Other Borrowings Increase/(Decrease)	(710)
Cash Provided by (Applied to) Financing Transactions	591,649
Cash and Bank / Overdraft (Increase)/Decrease	147,305
Cash and Bank (Overdraft) at Beginning of Year	245,671
Cash and Bank (Overdraft) at End of Year	392,976

Flin Flon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	8,897,051	75,000	-	53,630	1,200,707	-	366,219	-	-	10,592,607
Restatements	(225,141)	298,249	-	1,000	(1,034,961)	-	12,894	-	-	(947,959)
Opening Cost restated	8,671,910	373,249	-	54,630	165,746	-	379,113	-	-	9,644,648
Add:										
Additions during the year	623,166	-	-	-	101,500	-	-	-	-	724,666
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,295,076	373,249	-	54,630	267,246	-	379,113	-	-	10,369,314
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	6,599,880	305,854	-	39,210	27,127	-	-	-	-	6,972,071
Opening restated	6,599,880	305,854	-	39,210	27,127	-	-	-	-	6,972,071
Add:										
Current period Amortization	209,371	14,930	-	6,168	27,372	-	-	-		257,841
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,809,251	320,784	-	45,378	54,499	-	-	-	-	7,229,912
Net Tangible Capital Asset	2,485,825	52,465	-	9,252	212,747	-	379,113	-	-	3,139,402
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

623

1: NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Flin Flon School Division is a public body that provides education services to the residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2: COMPARATIVE FIGURES

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/2007 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenues, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implantation of PSAB.

3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

b) Trust Funds

The Division administers a number of bursary and scholarship funds. These bursary and scholarship funds and their related expenses are not included in the consolidated financials statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements. (see Note # 11)

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the Flin Flon School Division are used for such activities as travel for school teams, school clubs and graduation.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction. To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land Improvements	$ 25,000	10
Buildings – brick, mortar, steel	$ 25,000	40
Buildings – wood frame	$ 25,000	25
School Buses	$ 20,000	10
Vehicles	$ 10,000	5
Equipment	$ 5,000	5
Network Infrastructure	$ 25,000	10
Computer Hardware, Servers, Peripherals	$ 5,000	4
Computer Software	$ 10,000	4
Furniture and Fixtures	$ 5,000	10
Leasehold Improvements	$ 25,000	Over term of lease

Grouping of assets in not permitted except for computer work stations. With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at

historica' cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit of the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets except for land, capital leases, and assets under construction, are amortized on a straight line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employees Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no cost relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and future benefits to its employees. These benefits include life insurance and supplemental unemployment benefits, dental, prescription drugs and long term disability.

The Division has adopted the following policies with respect to accounting for these employee future benefits.

(i) Defined Contribution/Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Support staff who belong to the Manitoba Association of School Trustees (MAST) pension plan, make defined contributions into the plan based upon age and CPP insurable earnings. The Division matches 100% of the employee contribution. In addition the Division cost shares the basic life insurance premium. The Division fully funds a prescription drug plan for support staff employees, spouses/partners and dependent children.

Other benefit plans available to teaching staff such as long term disability, and extended health care benefits are fully paid by the employees. The Division collects the premiums and remits the funds to the appropriate organization.

h) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), can be set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Statement of Financial Position.

The Flin Flon School Division has NO amounts set aside in Capital Reserves at this time.

I) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments(cash, accounts receivable, investments, bank indebtedness, accounts payable and long term debt) that may affect the amount, timing, and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial, and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD (PSAB)

Commencing with the 2006/2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employees Future Benefit Liability was not required at June 30, 2007.

(iv) Accrued Interest Payable was established to account for the accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. OVERDRAFT

The Division has an authorized revolving line of credit with the Royal Bank of Canada valued at $ 3,050,130. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Flin Flon for the Municipal Special Levy is not paid to the Division until January 31st of each year. The Division receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the Division incurs similar expenses in these months as during the rest of the year.

The Division was not in an overdraft position at June 30, 2007.

6. SHORT TERM INVESTMENTS

The Division does not invest in short term investments because it's cash flow is such that there are never any substantial amount of funds to invest for any length of time. Instead the Division receives interest on it's positive balance in the operating bank account at a rate of prime less 2%.

7. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2007	Balance June 30, 2006
$ 62,000	8.375%	15/12/2013	**33,370.92**	36,782.46
$ 90,000	8.875%	30/09/2015	**58,881.55**	63,056.78
$ 74,000	6.125%	30/04/2019	**54,267.35**	57,276.45
$ 170,000	6.625%	31/01/2022	**145,344.17**	150,927.36
$ 563,500	5.375%	30/06/2025	**529,864.95**	547,122.60
$ 119,200	5.000%	28/02/2026	**115,595.08**	119,200.00
$ 257,100	4.875%	15/02/2027	**257,100.00**	.00
$ 372,300	5.125%	15/05/2027	**372,300.00**	.00
			$**1,566,724.02**	$ 974,365.65

Under the terms of the debenture agreements, the approximate annual principal payments over the next five years are as follows:

2008	$ 58,349
2009	$ 61,773
2010	$ 65,406
2011	$ 69,263
2012	$ 73,356

The payments are being made by the Public Schools Finance Board, Province of Manitoba

8. DEFERRED REVENUE

Deferred Revenue valued at $ 397,235.21 at June 30, 2007 consists of the following:

a) Education Property Tax Credit is valued at $ 651,736.41 for Calendar 2007. $ 325,868.21 or 50% was taken into Revenue in the 2006/2007 school year for the period from January to June 30, 2007, while the remaining $ 325,868.20 relating to July through December 2007 was setup as Deferred Revenue at June 30, 2007 and will be taken into Revenue in the 2007/2008 school year.

b) Because of the change to PSAB effective the 2006/2007 financial reporting period, the purchase of playground equipment at McIsaac School Ecole McIsaac funded by the Playground Committee is considered to have been donated to the School. It is recorded on the Division's books by debiting Capital Assets and crediting Deferred Revenue. The equipment is considered to have a useful life of 5 years. In each of the five years, one fifth of the value of the asset will be recorded as Revenue with an offsetting debit to Deferred Revenue. At the end of the five year time period, the asset will be fully depreciated and the Deferred Revenue Account will have a value of zero. The value of the equipment at the time of the donation was $ 71,367.00.

9. DISCLOSURE UNDER PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

(a) There were no members of the Board of Trustees who individually received compensation $ 50,000 or more.

(b) Total compensation paid to the Board of Trustees in aggregate was $ 42,063

(c) The employees and officers of the Flin Flon School Division who received compensation $50,000 or more are as follows:

Abbott, R.	Teacher	$ 57,345	Hyndman, M.	Teacher	$ 52,052
Anderson, T	Teacher	$ 62,364	Mack, D.	Vice-Principal	$ 75,816
Aune, L.	Teacher	$ 54,933	Halpin, G.	Teacher	$ 67,673
Baker. L.	Teacher	$ 53,073	Hill, R.	Teacher	$ 61,199
Ballantyne, T.	Teacher	$ 67,453	Larouche, M.	Teacher	$53,416
Beck, C.	Teacher	$ 56,730	Lindsay, S.	Teacher	$67,796
Bedford, B.	Teacher	$ 70,415	Joa, J.	Teacher	$ 68,800
Belfry, J.	Principal	$ 81,683	Kowal, S.	Teacher	$ 67,796
Bodnarus, D	Teacher	$ 73,220	Lytwyn, S	Teacher	$53,174
Bongfeldt, D.	Sec-Treas	$ 77,816	Ly, D.	Teacher	$54,486
Bortis, B.	Co Principal	$ 71,494	Minter, C.	Vice-Principal	$ 81,700
Chrupalo, B.	Teacher	$51,859	Reid, S.	Teacher	$ 67,938
Clark, J.	Principal	$ 87,351	Myden, G.	Teacher	$ 72,337
Clark, K.	Teacher	$ 70,657	Nagy, L.	Teacher	$ 62,793
Collins, A.	Teacher	$ 67,997	Nowosad, J.	Teacher	$ 67,670
Danielson, L.	Teacher	$ 67,796	Pauley, W.	Principal	$85,888
Danko, J.	Teacher	$ 67,796	Payne, S.	Teacher	$ 70,475
Davey, C.	Teacher	$ 67,654	Pettersen, C.	Teacher	$ 67,805
Doverspike, G.	Maint. SV	$ 60,041	Phelan, A.M.	Teacher	$ 67,512
Dufour, S.	Vice-Principal	$ 75,457	Power, S.	Teacher	$67,791
Fontaine, G.	Teacher	$ 65,205	Reagan, M.	Teacher	$ 68,003
Dumenko, J.	Teacher	$54,,603	Nychuk, M.	Teacher	$ 51,859
Garinger, A.	Teacher	$ 68,489	Slater, B.	Teacher	$ 70,657
Garmey, H	Teacher	$ 61,641	* Garinger, S.	Teacher	$67,671
Gawiak, D.	Teacher	$ 71,026	Tardiff, J.	Teacher	$53,430
Grove, D.	Assist. Sup't	$ 86,249	Tremblay,N	Teacher	$ 62,821
Guthrie, T.	Teacher	$ 69,587	Rideout, T	Teacher	$54,653
Veitch, B.	Superintend't	$111,466	Walker, B.	Teacher	$67,441
Willetts, R	Teacher	$ 57,628	Woodward, K	Co-Principal	$71,494
Jedele, C	Teacher	$ 58,428	Myden, D.	Teacher	$ 67,671
Williams, C.	Teacher	$ 58,851	Perera, R.	Network Admin	$51,096
Wollenhaupt, D.	Teacher	$ 67,796	Whitehead, K	Teacher	$56,249
Willetts, R.	Teacher	$ 57,628	Smith, L.	Teacher	$52,558
Priddle, S.	Vice-Principal	$ 77,809			

The above salaries are based on the 2006 calendar year payroll information.

* Sandra Garinger is on secondment to the Department of Education and although her salary is paid by the division, it is subsequently recovered from Manitoba Education

10. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2007 in the amount of $ 99,642. This is comprised of the following:

Interest on Short Term borrowing	$ 42,090
Interest on Debenture Debt	$ 57,552

11. TRUST FUNDS

The School Division administers a number of Trust Funds established primarily for student bursaries. These trust funds are not reflected in these Financial Statements. The total balance in the Trust Funds is as follows:

		2007	2006
Bank Balance at Beginning	**$ 144,339**	$ 155,760	
Add:			
Contributions		**11,201**	9,764
Interest/Change In Investments		**5,795**	4,445
		161,335	169,969
Deduct: Scholarships Paid/Transferred		**(21,527)**	(25,630)
Ending Bank Balance		**139,808**	144,339
Deduct: Scholarships Payable		**(5,150)**	(18,500)
Add: Due (to) from Operating		**(6,710)**	13,239
Ending Fund Balance		**$ 127,948**	$ 139,078

12. JOINT VENTURE

Flin Flon School Division has entered into a joint venture agreement with Big Island Drive-In. Under the terms of the agreement, Flin Flon School Division has upgraded an existing theatre building and has purchased certain equipment to operate it as a movie theatre. The Big Island Drive-In for its part will operate the theatre in conjunction with the students as part of Business Education. The cost of upgrades and purchase of equipment, in the amount of $ 75,473, has been capitalized as addition to School Buildings and equipment, respectively. The continued decrease in student enrolment at the high school has resulted in a corresponding decrease to those students enrolled in the Business and Marketing program. As a result there were insufficient numbers in the program to offer the work experience in the Theatre for the 2006/2007 school year. The Big Island Drive-In attempted to run the theatre on its own with reduced showing in hopes of generating increased interest in the facility. It was unsuccessful and the business venture discontinued in the spring of 2007. A balance at June 30, 2007 for the equipment of $ 56,446 remains on the books as a capital asset, however, the liability on the operating balance sheet for future recovery of the equipment costs has been removed. The equipment will remain in the theatre for other use by the school.

13. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

	2007
Due from First Nations	$ 32,487
Bad Debts Expense (included in fiscal other)	$ 32,487

15. ACCUMULATED SURPLUS – JUNE 30, 2007

The **operating surplus at June 30, 2007 was $ 474,499**. $ 146,718 has been committed to balancing the 2007/2008 budget. In addition, $ 65,265 unexpended in the Information Technology area at June 30, 2007 has been carried forward into July/August 2007 as part of a major upgrade of the Division's computer system. Other carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at $ 53,736, and if fully expended in the current year would reduce the surplus by a similar amount.

The Board of Trustees also approved a maximum of $ 50,000 to be expended from surplus to complete the interior renovations at Parkdale School. At June 30, 2007 approximately $ 20,000 remained to be expended on the project. This will reduce surplus also.

Taking into consideration all of the above items, the surplus at June 30, 2008 is estimated to be $188,780, or 1.7% of budgeted expenditures for the 2007/2008 school year. This is well below the 3% recommended by the Minister of Education. It also assumes that there will be no other unexpected expenditures in the current school year, and that all other operating accounts for the 2007/2008 school year will be on budget.

The accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 285,719
Undesignated Surplus	$ 188,780
Total Operating Fund	$ 474,499
Capital Fund	
Reserve Accounts	$ 0
Equity in Tangible Capital Assets	$1,500,243
Total Capital Fund	$1,500,243

Special Purpose Fund	
School Generated Funds	$ 0
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 0
Total Accumulated Assets	$ 1,974,742

16. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible Capital Assets	$ 10,369,314	$ 7,229,912	$ 3,139,402

The Division does not have any capital leases at this time.

17. OTHER THAN TANIGIBLE CAPITAL ASSETS

The schedule of Special Purpose Fund Schedule of Revenue, Expenses and Accumulated Surplus on page 26 of the audited financial statements represents the net amount of school generated funds revenue over school generated funds expenses. An amount of $ 13,634 was utilized from the previous years bank account to balance revenue and expenses for the 2007/2008 school year.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Fort La Bosse School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 12, 2007

MEYERS NORRIS PENNY

AUDITOR'S REPORT

(In accordance with subsection 41(1) of the Public Schools Act)

To the Board of Trustees
Fort La Bosse School Division

We have audited the consolidated statement of financial position of the Fort La Bosse School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flows for the fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and schedules listed and identified in relation to the aforementioned financial statements, prescribed by the regulations, are in order.

Brandon, Manitoba
October 12, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,231,415	957,411
	- Federal Government	111,962	74,816
	- Municipal Government	2,661,793	2,644,389
	- Other School Divisions	-	-
	- First Nations	219,479	-
	Accounts Receivable	20,648	337,543
	Accrued Investment Income	-	-
6	Other Investments	89,307	
		4,334,604	4,014,159
	Liabilities		
5	Overdraft	2,156,956	2,594,754
	Accounts Payable	222,987	284,972
	Accrued Liabilities	77,685	73,928
	Employee Future Benefits	-	-
	Accrued Interest Payable	274,147	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	20,207	20,318
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	549,420	433,592
8	Debenture Debt	8,644,198	8,976,007
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		11,945,600	12,383,571
	Net Debt		
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	11,526,806	21,432,282
	Inventories	34,596	44,224
	Prepaid Expenses	53,664	93,443
		11,615,066	21,569,949
10	**Accumulated Surplus**	4,004,070	13,200,537

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	9,876,602	9,233,715
	Federal Government	-	-
	Municipal Government - Property Tax	4,737,627	4,652,346
	- Other	-	-
	Other School Divisions	14,300	11,700
	First Nations	757,855	744,120
	Private Organizations and Individuals	15,200	7,000
	Other Sources	91,818	50,626
	School Generated Funds	500,441	
	Other Special Purpose Funds	18,172	
		16,012,015	14,699,507
	Expenses		
	Regular Instruction	7,863,219	7,589,328
	Student Support Services	1,544,200	1,508,281
	Adult Learning Centres	-	-
	Community Education and Services	122,903	113,244
	Divisional Administration	501,999	546,022
	Instructional and Other Support Services	339,542	415,432
	Transportation of Pupils	1,160,128	1,153,356
	Operations and Maintenance	1,670,371	1,692,976
13	Fiscal - Interest	1,017,487	753,404
	- Other	211,737	206,285
	Amortization	750,592	
	Other Capital Items		208,670
	School Generated Funds	403,412	
	Other Special Purpose Funds	16,665	
		15,601,005	14,186,998
	Current Year Surplus (Deficit)	411,010	512,509
	Opening Accumulated Surplus	13,200,537	12,688,028
	Restatements: Tangible Cap. Assets and Accum. Amort.	[illegible]	
11	Other than Tangible Cap. Assets	217,184	0
	Opening Accumulated Surplus, as restated	3,593,060	12,688,028
	Closing Accumulated Surplus	4,004,070	13,200,537

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	411,010
Amortization of Tangible Capital Assets	750,592
Acquisition of Tangible Capital Assets	(549,777)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,250)
Proceeds on Sale of Tangible Capital Assets	1,250
	80,815
Inventories (Increase)/Decrease	9,628
Prepaid Expenses (Increase)/Decrease	39,779
	49,407
(Increase)/Decrease in Net Debt	541,232
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	217,184
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	411,010
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	750,592
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	316,895
Inventories and Prepaid Expenses - (Increase)/Decrease	49,407
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	215,919
Deferred Revenue Increase/(Decrease)	115,828
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	217,184
Cash Provided by Operating Transactions	1,527,441
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,250
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	
Cash Provided by (Applied to) Investing Transactions	
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	437,798
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Fort La Bosse School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,109,307	303,903	2,447,974	52,556	153,542	-	365,000	-	-	21,432,282
Restatements	911,670	224,699	(756,943)	(34,963)	(73,239)	81,260	(138,985)	-	85,927	299,426
Opening Cost restated	19,020,977	528,602	1,691,031	17,593	80,303	81,260	226,015	-	85,927	21,731,708
Add:										
Additions during the year	114,463	-	242,554	33,060	157,418	11,981	-	-	110,301	669,777
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,135,440	528,602	1,933,585	50,653	237,721	93,241	226,015	-	196,228	22,401,485
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,955,921	404,279	692,180	5,278	33,358	33,071	-	-	-	10,124,087
Opening restated	8,955,921	404,279	692,180	5,278	33,358	33,071	-	-	-	10,124,087
Add:										
Current period Amortization	509,008	15,639	178,282	6,824	31,215	9,624	-	-		750,592
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,464,929	419,918	870,462	12,102	64,573	42,695	-	-	-	10,874,679
Net Tangible Capital Asset	9,670,511	108,684	1,063,123	38,551	173,148	50,546	226,015	-	196,228	11,526,806
Proceeds from Sale of Capital Assets	-	-	1,250	-	-	-	-			1,250

* Includes network infrastructure.

FORT LA BOSSE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Fort La Bosse School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and the Fort La Bosse School Division Foundation Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, continuation of benefits for health care, life insurance, long-term disability, supplemental unemployment benefits. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution - insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form

part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006 07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with CIBC of $3,710,000 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $110,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Other Investments

Other investments consist of guaranteed investment certificates that mature between 2007 and 2008. Other investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investments was $89,307; investment income earned during the year was $2,236.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2007
Local Government General Support Grant	80,978	83,447	80,978	83,447
Education Property Tax Credit	352,614	420,403	352,614	420,403
Donated Capital Assets		51,625	6,055	45,570
	433,592	555,475	439,647	549,420

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.000% to 12.250%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	750,482	614,500	1,364,982
2009	545,943	677,638	1,223,581
2010	486,859	551,211	1,038,070
2011	442,856	558,748	1,001,604
2012	399,138	592,450	991,588
	2,565,278	2,994,547	5,619,825

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	22,401,485	10,874,679	11,526,806
Capital Lease	0	0	0
	22,401,485	10,874,679	11,526,806

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	80,000
Undesignated Surplus	1,023,142
	1,103,142
Capital Fund	
Reserve Accounts	80,093
Equity in Tangible Capital Assets	2,500,307
	2,580,400
Special Purpose Fund	
School Generated Funds	220,422
Other Special Purpose Funds	100,106
	320,528
Total Accumulated Surplus	4,004,070

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	80,000
School budget carryovers by board policy	0
Designated surplus	80,000

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	80,093
Other reserves	0
	80,093

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and Foundation-Scholarship use.

	2007
Foundation Scholarship	100,106
Other	0
Other Special Purpose Funds	100,106

11. Restatement of Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	299,426
Accumulated amortization	(10,124,087)
Donated Assets	
Accumulated amortization of deferred revenue	(4,808)
	(9,829,469)
Special Purpose Fund	
School Generated Funds	123,393
Other Special Purpose Funds	98,599
	221,992
Total Restatement of Opening Accumulated Surplus	(9,607,477)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2006 tax year and 57% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	4,737,627	4,652,346
Receivable-Due from Municipal-Property Tax	2,661,793	2,644,389

13. Interest Received and Paid

The Division received interest during the year of $1,470 (previous year $5,145); interest paid during the year was $1,017,487 (previous year $753,404).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	81,232
Capital Fund	
Debenture debt interest	936,057
Other interest	198
	1,017,487

The accrual portion of debenture debt interest expense of $274,146 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	9,818,187	9,782,975	9,600,387
Employee benefits & allowances	673,430	688,700	678,049
Services	1,462,994	1,382,546	1,468,112
Supplies, materials & minor equipment	1,107,849	1,198,008	1,176,800
Interest	1,017,487	63,000	753,404
Bad debts	0	0	0
Payroll tax	211,737	210,000	206,285
Tuition and transfers	139,902	124,700	95,291
Amortization	750,592		
Other capital items	(1,250)		208,670
School generated funds	403,412		
Other special purpose funds	16,665		
	15,601,005	13,449,929	14,186,998

MANAGEMENT REPORT

PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Frontier School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

_____ _____

Chairperson Secretary-Treasurer

November 15, 2007
(Same date as Auditors' Report)

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
FRONTIER SCHOOL DIVISION

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2007 and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenues, Expenses and Accumulated Surplus
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – Schedule of Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Notes to the Financial Statements

These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our examination also included the statements presented on pages 3, 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained there-in.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
November 15, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,863,227	-
	Short Term Investments	-	-
	Due from - Provincial Government	3,796,490	1,600,508
	- Federal Government	2,617	-
	- Municipal Government	2,100,841	1,776,228
	- Other School Divisions	-	-
	- First Nations	599,444	-
	Accounts Receivable	11,451,399	10,820,684
	Accrued Investment Income	-	-
	Other Investments	-	
		19,814,018	14,197,420
	Liabilities		
	Overdraft	-	1,648,815
	Accounts Payable	11,807,578	7,929,287
	Accrued Liabilities	5,632,098	4,195,090
6	Employee Future Benefits	656,982	-
	Accrued Interest Payable	711,401	-
	Due to - Provincial Government	-	-
	- Federal Government	-	279,371
	- Municipal Government	-	-
	- Other School Divisions	419,052	-
	- First Nations	-	-
	Deferred Revenue	428,287	71,445
8	Debenture Debt	26,691,543	15,391,621
	Other Borrowings	-	-
	School Generated Funds Liability	324,617	
		46,671,558	29,515,629
	Net Debt		
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	33,567,763	83,721,286
	Inventories	-	-
	Prepaid Expenses	270,229	153,260
		33,837,992	83,874,546
11	**Accumulated Surplus**	6,980,452	68,556,337

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	40,981,998	38,897,326
	Federal Government	218,480	12,038,554
	Municipal Government - Property Tax	3,130,992	2,444,233
	- Other	178,236	176,796
	Other School Divisions	6,500	5,850
	First Nations	46,023,215	29,142,964
	Private Organizations and Individuals	3,250,706	3,203,009
	Other Sources	910,180	771,723
	School Generated Funds	-	
	Other Special Purpose Funds	-	
		94,700,307	86,680,455
	Expenses		
	Regular Instruction	41,048,930	38,588,866
	Student Support Services	13,518,961	11,404,292
	Adult Learning Centres	1,651,662	1,516,324
	Community Education and Services	1,597,243	1,479,713
	Divisional Administration	5,689,683	4,547,463
	Instructional and Other Support Services	4,753,198	5,130,359
	Transportation of Pupils	6,429,911	6,021,391
	Operations and Maintenance	14,920,342	14,466,675
14	Fiscal - Interest	2,118,157	1,183,470
	- Other	1,256,434	1,303,858
	Amortization	1,801,594	
	Other Capital Items		56,707
	School Generated Funds	20,551	
	Other Special Purpose Funds	-	
		94,803,823	85,699,118
	Current Year Surplus (Deficit)	(103,516)	981,337
	Opening Accumulated Surplus	68,556,337	67,575,000
	Restatements: Tangible Cap. Assets and Accum. Amort.	(60,234,885)	
	Other than Tangible Cap. Assets	(1,237,484)	0
	Opening Accumulated Surplus, as restated	7,083,968	67,575,000
	Closing Accumulated Surplus	6,980,452	68,556,337

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	
Amortization of Tangible Capital Assets	1,801,594
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	19,060
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,801,594
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	656,982
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	139,681
Accounts Payable & Accrued Liabilities Increase/(Decrease)	6,026,700
Deferred Revenue Increase/(Decrease)	356,842
School Generated Funds Liability Increase/(Decrease)	324,617
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	4,092,233
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	19,060
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	11,299,922
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	11,299,922
Cash and Bank / Overdraft (Increase)/Decrease	3,512,042
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	1,863,227

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007	2006
Financial Assets		
Cash and Bank	4,561,375	119,066
Short Term Investments	-	-
Due from - Provincial Government	1,751,153	1,600,508
- Federal Government	2,617	-
- Municipal Government	2,100,841	1,776,228
- Other School Divisions	-	-
- First Nations	599,444	-
- Other Funds		329,710
Accounts Receivable	11,292,119	10,817,771
Accrued Investment Income	-	
	20,307,549	14,643,283
Liabilities		
Overdraft	3,061,678	1,767,881
Accounts Payable	6,676,671	6,287,384
Accrued Liabilities	5,632,098	4,195,090
Employee Future Benefits	656,982	
Accrued Interest Payable	-	
Due to - Provincial Government	-	-
- Federal Government	-	279,371
- Municipal Government	-	-
- Other School Divisions	419,052	-
- First Nations	-	
- Capital Fund	1,473,331	-
Deferred Revenue	428,287	71,445
Other Borrowings	-	-
	18,348,099	12,601,171
Net Financial Assets (Net Debt)	1,959,450	2,042,112
Non-Financial Assets		
Inventories	-	-
Prepaid Expenses	270,229	153,260
	270,229	153,260
Accumulated Surplus (Deficit)	2,229,679	2,195,372

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007 Actual	2007 Budget	2006 Actual
Revenue			
Provincial Government	38,417,906	37,309,276	37,201,284
Federal Government	218,480	-	12,038,554
Municipal Government - Property Tax	3,130,992	3,107,727	2,444,233
- Other	178,236	178,000	176,796
Other School Divisions	6,500	-	5,850
First Nations	46,023,215	47,340,321	29,142,964
Private Organizations and Individuals	3,250,706	3,496,926	3,203,009
Other Sources	606,655	491,430	693,835
	91,832,690	91,923,680	84,906,525
Expenses			
Regular Instruction	41,048,930	39,859,976	38,588,866
Student Support Services	13,518,961	14,994,345	11,404,292
Adult Learning Centres	1,651,662	1,650,510	1,516,324
Community Education and Services	1,597,243	1,556,734	1,479,713
Divisional Administration	5,689,683	5,542,081	4,547,463
Instructional and Other Support Services	4,753,198	5,100,431	5,130,359
Transportation of Pupils	6,429,911	6,471,988	6,021,391
Operations and Maintenance	14,920,342	14,847,615	14,466,675
Fiscal	1,590,341	1,500,000	1,559,695
	91,200,271	91,523,680	84,714,778
Current Year Surplus (Deficit)	632,419	400,000	191,747
Net Transfers from (to) Capital Fund			
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)	232,419	0	
Opening Accumulated Surplus (Deficit)	2,195,372		2,203,625
Restatements: Employee Future Benefits			
	-		-
Opening Accumulated Surplus (Deficit), as restated	1,997,260		2,203,625
Closing Accumulated Surplus (Deficit)	2,229,679		2,195,372

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007	2006
Financial Assets		
Cash and Bank		-
Short Term Investments	-	-
Due from - Provincial Government	2,045,337	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Other Funds	1,473,331	-
Accounts Receivable	159,280	2,913
Accrued Investment Income	-	
	3,677,948	2,913
Liabilities		
Overdraft	-	-
Accounts Payable	5,130,907	1,641,90
Accrued Liabilities	-	-
Accrued Interest Payable	711,401	
Due to - Provincial Government	-	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Operating Fund	-	329,710
Deferred Revenue	-	
Debenture Debt	26,691,543	15,391,621
Other Borrowings	-	-
	32,533,851	17,363,234
Net Debt		
Non-Financial Assets		
Net Tangible Capital Assets	33,567,763	83,721,286
Accumulated Surplus / Equity *	4,711,860	66,360,965
* Comprised of:		
Reserve Accounts	237,214	97,566
Equity in Tangible Capital Assets	4,474,646	66,263,399
	4,711,860	66,360,965

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2007	2006
Revenue			
Provincial Government			
Grants		-	-
Debt Servicing - Principal		844,578	768,409
- Interest		1,719,514	927,633
Federal Government		-	-
Municipal Government		-	-
Other Sources:			
Investment Income		-	-
Donations		-	-
Insurance Proceeds		-	-
	303,525		
		303,525	77,888
		2,867,617	1,773,930
Expenses			
Amortization		1,801,594	
Debenture Debt Interest		1,719,514	927,633
Other Interest		64,736	-
Other Capital Items		-	
Loss / (Gain) on Disposal of Capital Assets			56,707
		3,583,001	984,340
Current Year Surplus / (Deficit)			789,590
Net Transfers from (to) Operating Fund		400,000	200,000
Transfers from Special Purpose Fund		-	
Net Current Year Surplus (Deficit)			989,590
Opening Accumulated Surplus / Equity		66,360,965	65,371,375
Restatements:	Tangible Capital Assets and Accum. Amortization		
	Change in Capital Leases		
Opening Accumulated Surplus / Equity as restated		5,027,244	65,371,375
Closing Accumulated Surplus / Equity		4,711,860	66,360,965

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	64,987,028	8,023,470	2,691,689	196,860	6,597,029	-	1,225,210	-	-	83,721,286
Restatements	3,422,385	4,986,300	843,789	(196,860)	(5,741,543)	-	-	-	2,428,246	5,742,317
Opening Cost restated	68,409,413	13,009,770	3,535,478	-	855,486	-	1,225,210	-	2,428,246	89,463,603
Add:										
Additions during the year	3,723,647	45,352	608,354	-	182,755	-	-	-	7,339,065	11,899,173
Less:										
Disposals and write downs	143,281	30,000	57,668	-	-	-	-	-	-	230,949
Closing Cost	71,989,779	13,025,122	4,086,164	-	1,038,241	-	1,225,210	-	9,767,311	101,131,827
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	53,404,775	10,769,562	1,681,625	-	121,240	-	-	-	-	65,977,202
Opening restated	53,404,775	10,769,562	1,681,625	-	121,240	-	-	-	-	65,977,202
Add:										
Current period Amortization	1,179,907	172,407	319,501	-	129,779	-	-	-		1,801,594
Less:										
Accumulated Amortization on Disposals and Writedowns	143,281	28,200	43,251	-	-	-	-	-	-	214,732
Closing Accumulated Amortization	54,441,401	10,913,769	1,957,875	-	251,019	-	-	-	-	67,564,064
Net Tangible Capital Asset	17,548,378	2,111,353	2,128,289	-	787,222	-	1,225,210	-	9,767,311	33,567,763
Proceeds from Sale of Capital Assets	-	5,010	14,050	-	-	-	-			19,060

* Includes network infrastructure.

Frontier School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2007

Fund Name >	Buses					Totals
Opening Balance, July 1, 2006	97,566	-	-	-	-	97,566
Additions: (Provide a description of each transaction)						
Transfer from Operations	400,000	-				400,000
						-
						-
						-
						-
						-
						-
Total Additions	400,000	-	-	-	-	400,000
Withdrawals: (Provide a description of each transaction)						
Move to general surplus	260,352	-				260,352
	-					-
						-
						-
						-
						-
						-
						-
Total Withdrawals	260,352	-	-	-	-	260,352
Closing Balance, June 30, 2007	237,214	-	-	-	-	237,214

SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007
Financial Assets	
Cash and Bank	363,530
Short Term Investments	-
Accrued Investment Income	-
Other Investments	-
	363,530
Liabilities	
School Generated Funds Liability	324,617
Accounts Payable	-
Accrued Liabilities	-
Due to Other Funds	-
Deferred Revenue	-
	324,617
Accumulated Surplus *	38,913
* Comprised of:	
School Generated Funds Accumulated Surplus	38,913
Other Funds Accumulated Surplus	-
	38,913

SPECIAL PURPOSE FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007
Revenue	
School Generated Funds	-
Other Funds	-
	-
	0
Expenses	
School Generated Funds	20,551
Other Funds	-
	-
	20,551
Current Year Surplus (Deficit)	
Transfers (to) Operating Fund	-
Transfers (to) Capital Fund	-
Net Current Year Surplus (Deficit)	
Opening Accumulated Surplus	-
Restatements: School Generated Funds	59,464
Other Funds	-
Opening Accumulated Surplus as restated	59,464
Closing Accumulated Surplus	38,913

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded by grants from the Province of Manitoba (Province), special levy on the property assessment included in the Division's boundaries, and funding from First Nation governments. The Division is exempt from income tax.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

School generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and

equipment, computers, capital leases, leasehold improvements, and assets under construction.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued at $1,225,210

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives, follows:

Asset Description	Estimated Useful Life (years)
Land Improvement	10
Building- brick, mortar and steel	40
Building – woodframe	25
School buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware and Software	4
Furniture and Fixtures	10
Leasehold improvements	Over term of lease

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Frontier School Division established a future benefit liability for life insurance paid to retired employees

(ii) Defined benefit self-insured employee future benefit plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Frontier School Division has a Defined Benefit Pension Plan for non teaching employees. Employees and Frontier School Division currently contribute equal amounts (2006-2007: 6%, 2005-2006: 5%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was on December 2005 and there was a surplus in the plan using both methods.

For the 2005 year, the Employees Contribution was $ 1,088,800; Frontier School Divisions contribution was $ 1,088,800 and the balance of the cost was covered through the "Allocation from Surplus" of $ 629,700

An update to 2007 is included in Appendix 1.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Division's contribution for the period.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to a potential risk any time credit is granted. The carrying amounts of the financial instruments approximate their fair value, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) Assets acquired under capital leases as well as the related obligations were capitalized.

(iii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds

(iv) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized Line of Credit with The Royal Bank of $15,000,000 by way of overdrafts and is repayable on demand, interest is at prime less .5%; interest is calculated and charged monthly. Included in the overdrafts are capital projects, which will be submitted to funders totaling approximately $300,000. Overdrafts are secured by a Borrowing By-Law.

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Employee Future Benefits are comprised of future insurance payments to retired employees as well as the provision for teachers' special leave.

Employee Future Benefit Liabilities (EFBL)		2007
Retirees Insurance Plan	$	80,000
Superintendents Retirement		458,870
Special Leave Provision for Teachers		118,112
Grand Total	$	656,982

The defined benefit plan provided to non-teaching management staff is actuarially valuated every three years using a number of assumptions about future events, including, interest rates, wage and salary increases, and employee turnover and mortality to determine the accrued benefit obligation (includes any related interest owing). The most recent actuarial report was prepared on December 31, 2005. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Pension plan assets are valued at market values and the expected rate of return is 6.5%. See Appendix 1.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Continuation of benefits for life insurance are defined benefits and vesting to certain employees at or after retirement. The related benefit costs and liabilities are included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 363,530, as follows:

	2007
Student Council Funds	$ 33,333
Travel Club/Arrangements	66,266
Graduation	38,363
Music Enhancement	55,530
Community Development	56,501
Other purposes:	74,623
Total	**324,617**

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$1,564,106.08	$1,276,938.97	$2,841,045.05
2009	$1,470,630.76	$1,180,181.55	$2,650,812.31
2010	$1,391,652.25	$1,247,765.73	$2,639,417.98
2011	$1,308,209.69	$1,179,748.00	$2,487,957.69
2012	$1,234,513.72	$1,232,687.58	$2,467,201.30
	$6,969,112.50	$6,117,321.83	$13,086,434.33

The fair value of the debenture debt is approximately $ 16,266,542.

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures and includes obligations related to capital leases.
Capital lease loans on buses, satellite equipment and copiers have interest rates ranging from 3.6% to 7.27% per annum, due between 2008 to 2012 and a monthly payment of $36,939 principal and interest. These loans are secured by the assets to which the leases relate.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 417,883	$ 60,873	$ 475,755
2009	358,541	36,474	395,015
2010	303,075	18,081	321,156
2011	139,816	4,025	143,841
2012	30,556	364	30,920
Total	$ 1,249,871	$ 119,817	$1,366,688

The fair value of Other Borrowings is approximately $ 1,251,753

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset class

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 99,142,055	$ 66,193,129	$32,948,926
Capital lease	1,989,772	370,0935	1,618,837
	$ 101,131,827	$ 67,564,064	$33,567,763

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

		2007
Operating Fund		
Designated Surplus	$	
Undesignated Surplus		2,229,679
Capital Fund	$	
Reserve Accounts		237,214
Equity in Tangible Assets		4,474,646
Special Purpose Funds	$	
School Generated Funds		38,913
Total Accumulated Surplus	$	6,980,452

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

		2007
Bus Reserves	$	237,214

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	$
Employee Future Benefits	198,112
Capital Fund	$
Tangible Capital Assets	5,742,317
Capital lease change	(1,098,836)
Accumulated Amortization	(65,977,202)
Special Purpose Funds	$
School Generated Funds	59,464
Total Restatement of Opening Surplus	$ (61,354,257)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 60% from 2006 tax year and 40% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,502,474	$ 2,838,981
Receivable- Due from Municipal-Property Tax	2,100,841	1,776,228

14. Interest Received and Paid

The Division received interest during the year of $2,099,846 (previous year $1,324,576); interest paid during the year was $2,118,157(previous year $1,183,470).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 333,907
Capital Fund	
Debenture debt interest	$ 1,719,514
Other interest	$ 64,736
	$ 2,118,157

The accrual portion of debenture debt interest expense of $ 705,737 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 58,705,943	$ 58,289,689	$ 55,750,646
Employees benefits & allowances	6,344,480	6,766,735	4,894,940
Services	13,402,602	14,009,616	12,746,217
Supplies, materials & minor equipment	6,955,034	7,766,309	6,225,864
Interest	333,907	200,000	255,837
Bad debts	-	-	-
Payroll tax	1,256,434	1,300,000	1,303,858
Amortization	1,801,594	-	-
Other capital items		-	-
School generated funds	20,551	-	-
Other special purpose funds	-	-	-
	$ 88,928,657	$ 88,332,349	$ 81,177,362

BDO Dunwoody LLP
Chartered Accountants and Advisors
Comptables agréés et conseillers

[illegible] Avenue
Winnipeg Manitoba Canada R3C 0L5
Telephone/Telephone (204) 956-7200
Fax/Télécopieur (204) 926-7201
Toll Free Canada/Sans frais 1-800-268-[illegible]
[illegible]

Auditors' Report

To the Chairperson and Board of Trustees of
Garden Valley School Division

We have audited the consolidated statement of financial position of **The Garden Valley School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
3	Short Term Investments	25,000	31,646
	Due from - Provincial Government	983,760	380,767
	- Federal Government	109,427	221,629
	- Municipal Government	3,762,053	2,820,746
	- Other School Divisions	207,752	224,767
	- First Nations	-	-
	Accounts Receivable	34,711	51,747
	Accrued Investment Income	-	-
	Other Investments	-	
		5,122,703	3,731,302
	Liabilities		
5	Overdraft	241,765	2,035,720
	Accounts Payable	947,249	782,012
	Accrued Liabilities	33,339	52,540
6	Employee Future Benefits	53,288	-
	Accrued Interest Payable	525,615	-
	Due to - Provincial Government	109,615	108,635
	- Federal Government	1,287,142	1,207,531
	- Municipal Government	123,856	96,597
	- Other School Divisions	164,233	115,858
	- First Nations	-	-
7	Deferred Revenue	976,946	705,754
8	Debenture Debt	19,404,657	15,242,399
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		23,867,705	20,347,046
	Net Debt		
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	31,230,447	35,337,488
	Inventories	-	-
	Prepaid Expenses	72,574	63,691
		31,303,021	35,401,179
10	**Accumulated Surplus**	12,558,019	18,785,435

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	19,918,458	16,987,148
	Federal Government	-	-
	Municipal Government - Property Tax	7,795,300	5,680,386
	- Other	-	-
	Other School Divisions	237,180	262,346
	First Nations	-	-
	Private Organizations and Individuals	15,000	14,644
	Other Sources	246,098	301,722
	School Generated Funds	230,437	
	Other Special Purpose Funds	-	
		28,442,473	23,246,246
	Expenses		
	Regular Instruction	15,612,852	13,865,769
	Student Support Services	4,079,362	3,146,123
	Adult Learning Centres	-	-
	Community Education and Services	33,087	28,518
	Divisional Administration	836,183	745,743
	Instructional and Other Support Services	674,257	861,651
	Transportation of Pupils	982,998	864,767
	Operations and Maintenance	2,255,228	1,892,117
13	Fiscal - Interest	1,614,996	770,183
	- Other	407,004	363,066
	Amortization	1,446,663	
	Other Capital Items		-
	School Generated Funds	233,820	
	Other Special Purpose Funds	-	
		28,120,957	22,537,937
	Current Year Surplus (Deficit)	321,516	708,309
	Opening Accumulated Surplus	18,785,435	18,077,126
	Restatements: Tangible Cap. Assets and Accum. Amort.	(6,635,831)	
11	Other than Tangible Cap. Assets	86,899	0
	Opening Accumulated Surplus, as restated	12,236,503	18,077,126
	Closing Accumulated Surplus	12,558,019	18,785,435

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	321,516
Amortization of Tangible Capital Assets	1,446,663
Acquisition of Tangible Capital Assets	(3,975,453)
(Gain) / Loss on Sale of Tangible Capital Assets	(55,493)
Proceeds on Sale of Tangible Capital Assets	55,493
	(2,528,790)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(3,481)
	(3,481)
(Increase)/Decrease in Net Debt	(2,210,457)
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	86,899
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	321,516
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,446,663
(Gain)/Loss on Disposal of Tangible Capital Assets	(55,493)
Employee Future Benefits Increase/(Decrease)	53,288
Short Term Investments (Increase)/Decrease	6,646
Due from Other Organizations (Increase)/Decrease	(1,415,083)
Accounts Receivable & Accrued Income (Increase)/Decrease	17,036
Inventories and Prepaid Expenses - (Increase)/Decrease	(3,95
Due to Other Organizations Increase/(Decrease)	156,225
Accounts Payable & Accrued Liabilities Increase/(Decrease)	671,651
Deferred Revenue Increase/(Decrease)	271,192
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	86,899
Cash Provided by Operating Transactions	1,551,657
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	55,493
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	4,162,258
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	4,162,258
Cash and Bank / Overdraft (Increase)/Decrease	1,793,955
Cash and Bank (Overdraft) at Beginning of Year	(2,035,720)
Cash and Bank (Overdraft) at End of Year	(241,765)

Garden Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	30,894,733	240,768	2,101,759	19,352	1,751,690	-	329,186	-	-	35,337,488
Restatements	6,642,749	770,134	(957,127)	12,848	(1,025,734)	52,032	1,282,789	-	7,301,585	14,079,276
Opening Cost restated	37,537,482	1,010,902	1,144,632	32,200	725,956	52,032	1,611,975	-	7,301,585	49,416,764
Add:										
Additions during the year	9,727,521	-	180,170	-	156,632	20,970	-	-	(6,109,840)	3,975,453
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	47,265,003	1,010,902	1,324,802	32,200	882,588	73,002	1,611,975	-	1,191,745	53,392,217
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	19,266,537	529,864	602,357	13,460	279,756	23,133	-	-	-	20,715,107
Opening restated	19,266,537	529,864	602,357	13,460	279,756	23,133	-	-	-	20,715,107
Add:										
Current period Amortization	1,142,095	21,324	111,816	6,440	152,499	12,489	-	-		1,446,663
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	20,408,632	551,188	714,173	19,900	432,255	35,622	-	-	-	22,161,770
Net Tangible Capital Asset	26,856,371	459,714	610,629	12,300	450,333	37,380	1,611,975	-	1,191,745	31,230,447
Proceeds from Sale of Capital Assets	55,493	-	-	-	-	-	-			55,493

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Garden Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers a trust fund. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include

the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

Tangible Capital Assets (continued)

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations which are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the

financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

iv. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Bank Overdraft

The Division has an authorized line of credit with the Heartland Credit Union Ltd. of $11,200,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest at the bank's prime rate minus .50% and minus .625%; interest is paid monthly. Included in the overdraft are capital projects totalling approximately $1,168,578 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $226,580 ($207,449 in 2006).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 705,754	$ 976,946	$ 430,547	$ 976,946

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

	Total
2008	$ 2,271,613
2009	2,206,622
2010	2,197,886
2011	2,180,537
2012	1,943,170
	$ 10,799,828

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in School Buildings was $78,596 (included in Assets under Construction in previous year $95,310).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 128,974
Undesignated Surplus	1,073,170
	$ 1,202,144
Capital Fund	
Reserve Accounts	$ 12,214
Equity in Tangible Capital Assets	11,260,145
	$ 11,272,359
Special Purpose Fund	
School Generated Funds	$ 83,516
Other Special Purpose Funds	-
	$ 83,516
Total Accumulated Surplus	$ 12,558,019

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board

policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2007
Board approved appropriation by motion	$ 55,493
School budget carryovers by board policy	73,481
Designated surplus	$ 128,974

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	$ 12,214
Other reserves	-
Capital Reserve	$ 12,214

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	$14,079,276
Accumulated Amortization	(20,715,107)
	(6,635,831)
Special Purpose Fund	
School Generated Funds	86,899
Other Special Purpose Funds	-
	86,899
Total Restatement of Opening Accumulated Surplus	$ (6,548,932)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2006 tax year and 50% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006

Revenue – Municipal Government – Property Tax	$ 7,795,300	$ 5,680,386
Receivable – Due from Municipal – Property Tax	$ 3,762,053	$ 2,820,746

13. Interest Received and Paid

The Division received interest during the year of $1,587,009 (previous year $712,225); interest paid during the year was $1,089,381 (previous year $770,183).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 81,200
Capital Fund	
Debenture interest	1,533,796
Other interest	-
	$ 1,614,996

The accrual portion of debenture debt interest expense of $525,615 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 18,782,081	$ 18,830,600	$ 16,762,989
Employees benefits and allowances	1,445,061	1,284,625	1,262,886
Services	2,018,281	1,877,285	1,766,030
Supplies, materials & minor equipment	2,029,734	1,949,530	1,453,899
Interest	1,614,996	106,000	770,183
Payroll tax	407,004	325,000	363,066
Transfers	198,810	147,000	158,884
Amortization	1,446,663	-	-
Other capital items	(55,493)	-	-
School generated funds	233,820	-	-
Other special purpose funds	-	-	-
	$ 28,120,957	$ 24,520,040	$ 22,537,937

15. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $128,974 at June 30, 2007 ($146,309 at June 30, 2006). The details of the Designated Surplus as disclosed at note 10 and page 5 of the audited financial statements

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 25,720
2009	26,704
2010	13,598

16. Subsequent Events

Subsequent to year end, the Board of Trustees approved the purchase of land in Schanzenfeld, Manitoba for the construction of a future school for $240,000 subject to PSFB and financing approval.

Subsequent to year end, the Board of Trustees approved the purchase of a property in Winkler, Manitoba for the relocation of administrative offices for $1,900,000 subject to PSFB and financing approval.

HANOVER
SCHOOL DIVISION

October 19, 2007

Manitoba Education & Training
Schools' Finance Branch
511-1181 Portage Avenue
Winnipeg, MB
R3G 0T3

Attention: Mr. Steve Power

Dear Mr. Power:

Re: Management Report

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Hanover School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting of internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson – Ron Falk

Secretary-Treasurer – Henry J. Braun

HJB:sf

Encl.

BDO

O Dunwoody LLP
Chartered Accountants
and Advisors

378 Main Street
Selkirk Manitoba Canada R1A 1T8
Telephone: (204) 482-5626
Telefax: (204) 482-4969
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Hanover School Division

We have audited the consolidated statement of financial position of **Hanover School Division** as at June 30, 2007 and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10	10
	Due from - Provincial Government	1,559,163	1,790,007
	- Federal Government	133,073	68,102
	- Municipal Government	8,067,969	6,384,027
	- Other School Divisions	183	-
	- First Nations	-	-
	Accounts Receivable	206,275	158,008
	Accrued Investment Income	-	-
	Other Investments	-	
		9,966,673	8,400,154
	Liabilities		
*	Overdraft	879,064	1,603,075
	Accounts Payable	2,435,217	2,217,828
	Accrued Liabilities	2,150,248	2,639,613
*	Employee Future Benefits	102,444	-
	Accrued Interest Payable	800,957	-
	Due to - Provincial Government	271	163,018
	- Federal Government	5,028	6,851
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,409,948	1,044,632
*	Debenture Debt	25,560,438	27,109,190
*	Other Borrowings	450,000	900,000
	School Generated Funds Liability	71,428	
		33,865,043	35,684,207
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	33,055,260	62,034,394
	Inventories	177,071	121,440
	Prepaid Expenses	406,935	303,812
		33,639,266	62,459,646
*	**Accumulated Surplus**	9,740,896	35,175,593

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	37,999,876	35,508,491
	Federal Government	-	-
	Municipal Government - Property Tax	13,816,180	10,671,320
	- Other	-	-
	Other School Divisions	230,346	197,904
	First Nations	-	-
	Private Organizations and Individuals	395,797	352,832
	Other Sources	113,860	89,001
	School Generated Funds	1,963,274	
	Other Special Purpose Funds	-	
		54,519,333	46,819,548
	Expenses		
	Regular Instruction	28,759,920	26,951,943
	Student Support Services	6,484,136	4,995,256
	Adult Learning Centres	-	-
	Community Education and Services	146,528	132,433
	Divisional Administration	1,282,669	1,162,008
	Instructional and Other Support Services	1,360,641	1,583,718
	Transportation of Pupils	2,542,821	2,318,777
	Operations and Maintenance	4,986,499	4,643,913
*	Fiscal - Interest	2,113,751	2,176,144
	- Other	734,363	698,808
	Amortization	1,962,868	
	Other Capital Items	(1,000)	-
	School Generated Funds	1,906,236	
	Other Special Purpose Funds	-	
		52,279,432	44,663,000
	Current Year Surplus (Deficit)	2,239,901	2,156,548
	Opening Accumulated Surplus	35,175,593	33,019,045
	Restatements: Tangible Cap. Assets and Accum. Amort.	(27,948,351)	
*	Other than Tangible Cap. Assets	273,753	0
	Opening Accumulated Surplus, as restated	7,500,995	33,019,045
	Closing Accumulated Surplus	9,740,896	35,175,593

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,239,901
Amortization of Tangible Capital Assets	1,962,868
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,000
	1,030,783
Inventories (Increase)/Decrease	
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	3,111,930
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	273,753
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,239,901
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,962,868
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	102,444
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	528,981
Deferred Revenue Increase/(Decrease)	365,316
School Generated Funds Liability Increase/(Decrease)	71,428
Restatements Other than Tangible Cap. Assets	273,753
Cash Provided by Operating Transactions	3,653,848
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,000
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	724,011
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Hanover School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	50,600,241	1,839,946	5,635,902	-	3,401,664	-	556,641	-	-	62,034,394
Restatements	1,479,436	276,457	-	157,037	(2,144,029)	83,443	90,026	-	-	(57,630)
Opening Cost restated	52,079,677	2,116,403	5,635,902	157,037	1,257,635	83,443	646,667	-	-	61,976,764
Add:										
Additions during the year	186,551	-	489,595	-	40,827	-	-	-	215,112	932,085
Less:										
Disposals and write downs	-	-	44,164	-	31,011	-	-	-	-	75,175
Closing Cost	52,266,228	2,116,403	6,081,333	157,037	1,267,451	83,443	646,667	-	215,112	62,833,674
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	22,591,339	700,045	3,355,735	115,709	1,049,611	78,282	-	-	-	27,890,721
Opening restated	22,591,339	700,045	3,355,735	115,709	1,049,611	78,282	-	-	-	27,890,721
Add:										
Current period Amortization	1,410,772	35,857	433,413	18,145	61,116	2,565	-	-		1,962,868
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	44,164	-	31,011	-	-	-	-	75,175
Closing Accumulated Amortization	24,002,111	735,902	3,745,984	133,854	1,079,716	80,847	-	-	-	29,778,414
Net Tangible Capital Asset	28,264,117	1,380,501	2,335,349	23,183	187,735	2,596	646,667	-	215,112	33,055,260
Proceeds from Sale of Capital Assets	-	-	1,000	-	-	-	-			1,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Hanover School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and

charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of

capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Bank Overdraft

The Division has an authorized line of credit with Royal Bank of $ 23,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $560,334 in 2007.

Employee future benefits recorded as a liability represents vacation and sick leave payable for administrative employees.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 1,040,382	$ 3,524,870	$3,155,304	$1,409,948
Other	4,250	-	4,250	-
	$ 1,044,632	3,524,870	3,159,554	1,409,948

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 113,017.

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007 with the difference in cash at June 30, 2007 and the net income for the year ending March 31, 2007 being booked to School

Funds liability.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 12.25%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2008	$ 3,518,501
2009	3,343,853
2010	3,206,488
2011	3,057,605
2012	2,812,298
	$ 15,938,744

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase a new bus garage.

	2007	2006
Bus Garage loan	$ 450,000	$ 900,000

Bus garage loan has interest at prime less .75%, payable monthly. This loan is secured by way of a security agreement. The loan is payable in full on February 1,2008.

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ 0 (previous year $ 0).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	0
Undesignated Surplus	2,557,801
	2,557,801
Capital Fund	
Reserve Accounts	0
Equity in Tangible Capital Assets	6,852,304
	6,852,304

Special Purpose Fund	
School Generated Funds	330,791
	330,791
Total Accumulated Surplus	9,740,896

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets	(57,630)
Accumulated Amortization	(27,890,721)
	(27,948,351)
Special Purpose Fund	
School Generated Funds	273,753
	273,753
Total Restatement of Opening Accumulated Surplus	(27,674,598)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 16971,484	$ 13,241,019
Receivable – Due from Municipal – Property Tax	$ 8,067,969	$ 6,384,027

15. Interest Received and Paid

The Division received interest during the year of $ 6,683 (previous year $ 4,465); interest paid during the year was $ 2,113,751 (previous year $2,176,144).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 176,548
Capital Fund	
Debenture interest	1,937,203
Other interest	0
	$ 2,113,751

The accrual portion of debenture debt interest expense of $ 800,957 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 35,520,587	$35,308,119	$ 32,644,724
Employees benefits and allowances	2,623,936	2,595,359	2,379,357
Services	3,106,057	3,151,567	2,930,052
Supplies, materials & minor equipment	3,968,157	4,731,427	3,465,428
Interest	2,113,751	2,195,836	2,176,144
Bad debts	0	0	0
Payroll tax	734,363	760,000	698,808
Amortization	1,962,868	0	0
Transfers	344,477	255,625	368,487
Other capital items	(1,000)	0	0
School generated funds	1,906,236	0	0
Other special purpose funds	0	0	0
	$ 52,279,472	$ 48,997,933	$ 44,663,000

17. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $ 113,845 (2006 - $102,895). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 324,958
2009	276,459
2010	228,934
2011	166,736
2012	30,275
Thereafter	5,857

19. Subsequent Events

Subsequent to June 30, 2007 the Division purchased a property for a new Administrative building in Steinbach at a price of $1.5 million. Additional renovations are planned to the property in the next year. Costs of the purchase and renovations wll be financed by a $2 million loan with the Royal Bank at a rate of 5.39%.

DARLENE A. DUFILY
Superintendent CEO
204-467-5100

ROSS METCALFE
Assistant Superintendent
204-467-5100

AL LEIMAN
Secretary-Treasurer
204-467-5100

GLENDA McKIM
Student Services Administrator
204-467-5100

DEBBIE FLEURY
Transportation Supervisor
204-467-8730

PAT LENNOX
Maintenance Supervisor
204-467-8730

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Interlake School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Gran Frederickson
Chairperson

Secretary-Treasurer

October 5, 2007

192 - 2nd Ave. N. (PTH 67) Stonewall, Manitoba R0C 2Z0 Telephone: (204) 467-5100 Fax: (204) 467-8334
Website: www.isd21.mb.ca

BDO Dunwoody LLP
Chartered Accountants
and Advisors

378 Main Street
Selkirk Manitoba Canada R1A 1T8
Telephone: (204) 482-5626
Telefax: (204) 482-4969
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Interlake School Division

(in accordance with subsection 41(11) of the Public Schools Act)

We have audited the consolidated statement of financial position of **Interlake School Division** as at June 30, 2007 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
October 5, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10,293	-
	Due from - Provincial Government	1,219,803	305,854
	- Federal Government	51,396	77,455
	- Municipal Government	4,608,160	4,528,927
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	34,786	21,494
	Accrued Investment Income	-	-
	Other Investments	-	
		5,924,438	4,933,730
	Liabilities		
*	Overdraft	1,688,278	1,893,540
	Accounts Payable	91,971	91,543
	Accrued Liabilities	269,798	911,947
*	Employee Future Benefits	748,654	-
	Accrued Interest Payable	239,456	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,176,285	871,171
*	Debenture Debt	9,573,492	8,989,057
	Other Borrowings	-	-
	School Generated Funds Liability	226,149	
		14,014,083	12,757,258
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,395,142	29,775,221
	Inventories	66,787	68,815
	Prepaid Expenses	61,368	64,997
		12,523,297	29,909,033
*	**Accumulated Surplus**	4,433,652	22,085,505

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	19,351,089	18,891,437
	Federal Government	-	-
	Municipal Government - Property Tax	8,999,380	8,406,537
	- Other	-	-
	Other School Divisions	39,950	43,500
	First Nations	-	-
	Private Organizations and Individuals	187,301	228,129
	Other Sources	155,615	112,193
	School Generated Funds	623,795	
	Other Special Purpose Funds	-	
		29,357,130	27,681,796
	Expenses		
	Regular Instruction	15,186,214	15,023,879
	Student Support Services	4,285,210	3,530,701
	Adult Learning Centres	-	-
	Community Education and Services	96,858	93,627
	Divisional Administration	990,383	977,895
	Instructional and Other Support Services	985,041	1,313,803
	Transportation of Pupils	1,789,239	1,834,449
	Operations and Maintenance	3,091,346	2,946,948
*	Fiscal - Interest	654,178	626,452
	- Other	438,137	420,145
	Amortization	903,765	
	Other Capital Items		198,711
	School Generated Funds	661,554	
	Other Special Purpose Funds	-	
		29,078,823	26,966,610
	Current Year Surplus (Deficit)	278,307	715,186
	Opening Accumulated Surplus	22,085,505	21,370,319
	Restatements: Tangible Cap. Assets and Accum. Amort.		
*	Other than Tangible Cap. Assets	115,620	0
	Opening Accumulated Surplus, as restated	4,155,345	21,370,319
	Closing Accumulated Surplus	4,433,652	22,085,505

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	278,307
Amortization of Tangible Capital Assets	903,765
Acquisition of Tangible Capital Assets	(1,569,466)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(665,701)
Inventories (Increase)/Decrease	2,028
Prepaid Expenses (Increase)/Decrease	3,629
	5,657
(Increase)/Decrease in Net Debt	(381,737)
Net Debt at Beginning of Year	(1,750,883)
Restatements Other than Tangible Cap. Assets	115,620
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	278,307
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	903,765
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	748,654
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	5,657
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	305,114
School Generated Funds Liability Increase/(Decrease)	226,149
Restatements Other than Tangible Cap. Assets	115,620
Cash Provided by Operating Transactions	1,190,293
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	584,435
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	584,435
Cash and Bank / Overdraft (Increase)/Decrease	205,262
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Interlake School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,823,246	1,173,982	3,782,225	146,597	2,615,585	-	233,586	-	-	29,775,221
Restatements	(3,947,806)	(2)		37,230	(2,244,465)	-	(62,955)	-	-	(6,217,998)
Opening Cost restated	17,875,440	1,173,980	3,782,225	183,827	371,120	-	170,631	-	-	23,557,223
Add:										
Additions during the year	1,067,601	40,444	351,836	-	109,585	-	-	-	-	1,569,466
Less:										
Disposals and write downs	-	-	113,114	-	-	-	-	-	-	113,114
Closing Cost	18,943,041	1,214,424	4,020,947	183,827	480,705	-	170,631	-	-	25,013,575
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,990,237	229,733	2,340,211	74,415	193,186	-	-	-	-	11,827,782
Opening restated	8,990,237	229,733	2,340,211	74,415	193,186	-	-	-	-	11,827,782
Add:										
Current period Amortization	488,627	43,235	271,864	32,289	67,750	-	-	-		903,765
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	113,114	-	-	-	-	-	-	113,114
Closing Accumulated Amortization	9,478,864	272,968	2,498,961	106,704	260,936	-	-	-	-	12,618,433
Net Tangible Capital Asset	9,464,177	941,456	1,521,986	77,123	219,769	-	170,631	-	-	12,395,142
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

INTERLAKE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

1. Nature of Organization and Economic Dependence

The Interlake School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency, except for the land at 192 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by $221,867.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. After two years of participating, contributions become vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as a percentage of salary, which ranges from 9.0% to 11.65%, depending upon the employees age, less the employees contributions to the Canada Pension Plan in that particular year.

Long-term Disability - Long term disability benefits are covered by a defined contribution/ insured plan fully financed by employees. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined benefit plan

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Sick Leave Allowance - The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 85 – 115, depending upon the employee group. Employees with five years of continuous years employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

Supplemental Employment Benefits Plan - The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. Benefit costs are expensed as incurred. No future obligation is recorded on the financial statements.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized revolving demand facility with South Interlake Credit Union of $8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75% and are secured by a borrowing by-law supporting the facility

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is

included in the financial statements. Employee benefits and allowances includes the Division's contribution of $316,650.

Employee future benefits recorded as a liability represents sick leave payable for eligible employees of $748,654.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 871,171	$ 2,502,734	$ 2,197,620	$ 1,176,285

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 158,580.

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007 with the difference in cash at June 30, 2007 and the net income for the year ending March 31, 2007 being booked to School Funds liability.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2008	$ 1,178,466
2009	1,129,872
2010	1,110,655
2011	1,067,090
2012	978,140
	$ 5,464,223

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ nil (previous year $ nil).

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ -
Undesignated Surplus	1,194,855
	1,194,855
Capital Fund	
Reserve Accounts	339,286
Equity in Tangible Capital Assets	2,821,650
	3,160,936
Special Purpose Fund	
School Generated Funds	77,861
Other Special Purpose Funds	-
	77,861
Total Accumulated Surplus	$ 4,433,652

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(6,217,998)
Accumulated Amortization	(11,827,782)
	(18,045,780)
Special Purpose Fund	
School Generated Funds	115,620
Other Special Purpose Funds	-
	115,620
Total Restatement of Opening Accumulated Surplus	(17,930,160)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 47% from 2006 tax year and 53% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 8,999,380	$ 8,406,537
Receivable – Due from Municipal – Property Tax	$ 4,608,160	$ 4,528,927

14. Interest Received and Paid

The Division received interest during the year of $46,123 (previous year $18,166); interest paid during the year was $654,178 (previous year $626,452).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 44,544
Capital Fund	
Debenture interest	609,634
Other interest	-
	$ 654,178

The accrual portion of debenture debt interest expense of $ 239,456 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

2007	Actual 2007	Budget 2006	Actual
Salaries	$ 20,327,156	$20,541,826	$ 19,474,201
Employees benefits and allowances	1,430,406	1,470,830	1,469,551
Services	2,398,102	2,271,348	2,444,815
Supplies, materials & minor equipment	1,822,385	1,874,696	1,995,838
Interest	654,178	100,000	626,452
Bad debts	-	-	-
Payroll tax	438,137	440,000	420,145
Amortization	903,765	-	-
Transfers	446,242	368,300	336,897
Other capital items	-	-	-
Loss / (Gain) on disposal of capital assets	(3,102)	-	198,711
School generated funds	661,554	-	-
Other special purpose funds	-	-	-
	$ 29,078,823	$ 27,067,000	$ 26,966,610

16. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $10,810 (2006 - $3,248). These amounts are not included in the Division's consolidated financial statements.

17. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Kelsey School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Haugen Morrish Angers, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 21, 2007

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

P.O. Box 1200, 334 Ross Avenue
The Pas, Manitoba R9A 1L2
Tel: (204) 623-5437
Fax: (204) 623-6390
1-800-663-2679

AUDITOR'S REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

KELSEY SCHOOL DIVISION NO. 45

We have audited the consolidated statement of financial position of Kelsey School Division No. 45 as at June 30, 2007 and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and the consolidated statement of cash flow for the year then ended. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Kelsey School Division No. 45 as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Haugen Morrish Angers

CHARTERED ACCOUNTANTS

The Pas, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 4)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	524,249	497,469
	- Federal Government	51,910	-
	- Municipal Government	1,600,244	2,126,195
	- Other School Divisions	6,825	-
	- First Nations	389,507	-
	Accounts Receivable	14,890	520,522
	Accrued Investment Income	-	-
	Other Investments	-	
		2,587,625	3,144,186
	Liabilities		
*	Overdraft	1,199,993	1,896,694
	Accounts Payable	589,144	622,216
	Accrued Liabilities	473,792	568,246
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	14,720	19,575
*	Debenture Debt	2,976,168	3,080,334
	Other Borrowings	-	-
	School Generated Funds Liability	48,695	
		5,302,512	6,187,065
	Net Debt	(2,714,887)	(3,042,879)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	3,021,797	14,842,464
	Inventories	-	-
	Prepaid Expenses	40,179	24,673
		3,061,976	14,867,137
*	**Accumulated Surplus**	347,089	11,824,258

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	12,086,775	11,298,789
	Federal Government	-	18,976
	Municipal Government - Property Tax	3,303,642	3,144,439
	- Other	-	-
	Other School Divisions	6,825	-
	First Nations	164,090	166,735
	Private Organizations and Individuals	74,949	-
	Other Sources	95,876	88,591
	School Generated Funds	495,197	
	Other Special Purpose Funds	-	
		16,227,354	14,717,530
	Expenses		
	Regular Instruction	7,362,016	7,328,316
	Student Support Services	3,365,191	2,505,499
	Adult Learning Centres	478,327	435,091
	Community Education and Services	59,373	58,022
	Divisional Administration	557,741	504,408
	Instructional and Other Support Services	441,822	910,294
	Transportation of Pupils	465,775	465,347
	Operations and Maintenance	1,977,011	1,811,347
*	Fiscal - Interest	362,969	297,469
	- Other	251,800	234,904
	Amortization	399,643	
	Other Capital Items	11,242	106,187
	School Generated Funds	468,478	
	Other Special Purpose Funds	-	
		16,201,388	14,656,884
	Current Year Surplus (Deficit)	25,966	60,646
	Opening Accumulated Surplus	11,824,258	11,763,612
*	Restatements: Tangible Cap. Assets and Accum. Amort.	(11,881,062)	
*	Other than Tangible Cap. Assets	177,927	0
	Opening Accumulated Surplus, as restated	321,123	11,763,612
	Closing Accumulated Surplus	347,089	11,824,258

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	25,966
Amortization of Tangible Capital Assets	399,643
Acquisition of Tangible Capital Assets	(260,038)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	139,605
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	150,065
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	177,927
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	25,966
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	399,643
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	50,929
Accounts Receivable & Accrued Income (Increase)/Decrease	505,632
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	
School Generated Funds Liability Increase/(Decrease)	48,695
Restatements Other than Tangible Cap. Assets	177,927
Cash Provided by Operating Transactions	1,060,905
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	696,701
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Kelsey School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	12,719,899	-	881,373	36,731	897,179	-	307,282	-	-	14,842,464
Restatements	1,224,341	303,458	(277,895)	33,470	(753,234)	104,700	(111,069)	-	-	523,771
Opening Cost restated	13,944,240	303,458	603,478	70,201	143,945	104,700	196,213	-	-	15,366,235
Add:										
Additions during the year	15,215	-	184,611	-	-	-	-	-	60,212	260,038
Less:										
Disposals and write downs	-	-		-	-	-	-	-		-
Closing Cost	13,959,455	303,458	788,089	70,201	143,945	104,700	196,213	-	60,212	15,626,273
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	11,481,241	303,458	207,953	52,140	83,638	76,403	-	-	-	12,204,833
Opening restated	11,481,241	303,458	207,953	52,140	83,638	76,403	-	-	-	12,204,833
Add:										
Current period Amortization	291,243	-	63,805	12,541	26,258	5,796	-	-		399,643
Less:										
Accumulated Amortization on Disposals and Writedowns								-	-	-
Closing Accumulated Amortization	11,772,484	303,458	271,758	64,681	109,896	82,199	-	-	-	12,604,476
Net Tangible Capital Asset	2,186,971	-	516,331	5,520	34,049	22,501	196,213	-	60,212	3,021,797
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

Kelsey School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. COMPARATIVE FIGURES

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated

Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) *Tangible Capital Assets*

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are

amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division adopted the following policy(ies) with respect to accounting for these employee future benefits:

I) Defined contribution / insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

TRAF pension is determined by number of years of service and salary. Contributions are 6.8% of salary and 8.4% when you reach your yearly maximum pensionable earnings amount.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid, while the employee future benefits expense is the Division's fixed contribution for the period.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. CONVERSION TO PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(I) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal

of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds controlled by the Division.

5. OVERDRAFT

The Division has an authorized borrowing agreement with the Westoba Credit Union of $3,000,000 by way of overdrafts and is repayable on demand at prime less .05%, interest is paid monthly. Overdrafts are secured by the assignment of all taxes levied or to be levied by the School Division for the current year.

6. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Time Expired Funding Lost	Balance as at June 30, 2007
Environmental Assistance	$ 19,575	$ -	$ 4,855	$ 14,720
	$ 19,575	$ -	$ 4,855	$ 14,720

7. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $48,695.

8. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.5%. Debenture interest expense payable as at June 30, 2007 is accrued and recorded in accrued interest payable and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from provincial government.

The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 221,027	$ 214,990	$ 436,017
2009	240,147	195,871	436,018
2010	220,918	174,946	395,864
2011	230,576	156,449	387,025
2012	195,998	137,336	333,334
	$ 1,108,666	$ 879,592	$ 1,988,258

9. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 15,626,273	$ 12,604,476	$ 3,021,797
	$ 15,626,273	$ 12,604,476	$ 3,021,797

10. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	157,026
	157,026
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	(14,583)
	(14,583)
Special Purpose Fund	
School Generated Funds	204,646
Other Special Purpose Funds	-
	204,646
Total Accumulated Surplus (Deficit)	$ 347,089

11. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	
Capital Fund	
Tangible Capital Assets as reported at June 30, 2006	(14,842,369)
Tangible Capital Assets revisions	15,366,235
Accumulated Amortization	(12,204,933)
	(11,681,067)
Special Purpose Fund	
School Generated Funds	177,927
Other Special Purpose Funds	-
	177,927
Total Restatement of Opening Accumulated Surplus	$ (11,503,140)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. MUNICIPAL GOVERNMENT - PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,303,642	$ 3,144,439
Receivable-Due from Municipal-Property Tax	$ 1,600,244	$ 2,126,195

13. INTEREST RECEIVED AND PAID

The Division received interest during the year of $793 (previous year $Nil); interest paid during the year was $362,969 (previous year $297,469).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 39,218
Capital Fund	
Debenture debt	323,751
Interest	
Other interest	-
	$ 362,969

The accrual portion of debenture debt interest expense of $95,872 included under the capital fund - debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. EXPENSES BY OBJECT

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 11,460,869	$ 10,656,628	$ 11,049,821
Employees benefits & allowances	1,004,618	935,632	963,736
Services	1,322,235	1,269,550	1,225,436
Supplies, materials & minor equipment	904,361	866,372	768,177
Interest	362,969	95,000	297,469
Bad debts	-	-	-
Payroll tax	251,800	240,000	234,964
Amortization	399,643		
Other capital items	11,242		106,787
School generated funds	498,478	-	-
Transfers	15,763	20,500	19,054
	$ 16,231,969	$ 14,103,722	$ 13,665,444

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 14, 2007

Collins Barrow

Chartered Accountants

201 Portage Place
One Lombard Place
Winnipeg, Manitoba
R3B 0Y3

T. 204 942 0771
F. 204 774 0842

Auditors' Report

To the Chairperson and Trustees
Lakeshore School Division

We have audited the Consolidated Statement of Financial Position for the Lakeshore School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses and Accumulated Surplus, Consolidated Statement of Change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue from the special purpose fund was restricted to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current Year Surplus (Deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
September 14, 2007

Collins Barrow

CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
5	Cash and Bank	810,019	-
	Short Term Investments	-	-
	Due from - Provincial Government	350,787	241,786
	- Federal Government	199,762	123,523
13	- Municipal Government	1,868,562	1,636,544
	- Other School Divisions	13,865	-
	- First Nations	34,320	-
	Accounts Receivable	38,783	105,228
	Accrued Investment Income	-	-
	Other Investments	-	
		3,316,098	2,107,081
	Liabilities		
	Overdraft	-	41,350
	Accounts Payable	1,484,991	911,969
	Accrued Liabilities	1,000,734	1,023,936
6	Employee Future Benefits	52,243	-
	Accrued Interest Payable	293,596	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	90,165	141,426
9	Debenture Debt	11,492,107	6,439,949
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		14,413,836	8,558,630
	Net Debt		
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	14,155,310	20,031,048
	Inventories	-	-
	Prepaid Expenses	47,770	18,215
		14,203,080	20,049,263
11	**Accumulated Surplus**	3,105,342	13,597,714

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	9,464,274	9,008,547
	Federal Government	-	-
13	Municipal Government - Property Tax	3,445,326	2,734,636
	- Other	-	-
	Other School Divisions	94,735	88,921
	First Nations	627,247	455,150
	Private Organizations and Individuals	231,014	210,771
	Other Sources	90,621	47,691
	School Generated Funds	428,355	
	Other Special Purpose Funds	10,903	
		14,392,475	12,545,716
	Expenses		
	Regular Instruction	6,820,421	6,246,162
	Student Support Services	1,896,021	1,525,651
	Adult Learning Centres	207,851	187,179
	Community Education and Services	241,663	193,306
	Divisional Administration	434,448	395,628
	Instructional and Other Support Services	401,380	573,465
	Transportation of Pupils	1,231,521	1,226,935
	Operations and Maintenance	1,121,896	1,061,237
14	Fiscal - Interest	695,283	285,166
	- Other	193,253	184,064
	Amortization	542,774	
	Other Capital Items		-
	School Generated Funds	438,098	
	Other Special Purpose Funds	9,332	
		14,230,844	11,878,793
	Current Year Surplus (Deficit)	161,631	666,923
	Opening Accumulated Surplus	13,597,714	12,930,791
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(10,783,212)	
12	Other than Tangible Cap. Assets	129,209	0
	Opening Accumulated Surplus, as restated	2,943,711	12,930,791
	Closing Accumulated Surplus	3,105,342	13,597,714

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	161,631
Amortization of Tangible Capital Assets	542,774
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	3,097
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	129,209
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	161,631
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	542,774
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	52,243
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	66,445
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	843,416
Deferred Revenue Increase/(Decrease)	
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	129,209
Cash Provided by Operating Transactions	1,246,362
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	3,097
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	5,052,158
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	5,052,158
Cash and Bank / Overdraft (Increase)/Decrease	851,369
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	810,019

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	16,163,505	288,996	2,981,663	23,240	518,173	-	55,471	-	-	20,031,048
Restatements	(4,881,143)	209,073	(1,259,326)	(23,240)	(242,083)	-	(19,206)	-	3,764,114	(2,451,811)
Opening Cost restated	11,282,362	498,069	1,722,337	-	276,090	-	36,265	-	3,764,114	17,579,237
Add:										
Additions during the year	1,156,543	-	405,084	-	65,690	-	-	-	3,822,931	5,450,248
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	12,438,905	498,069	2,127,421	-	341,780	-	36,265	-	7,587,045	23,029,485
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,031,423	477,870	706,631	-	115,477	-	-	-	-	8,331,401
Opening restated	7,031,423	477,870	706,631	-	115,477	-	-	-	-	8,331,401
Add:										
Current period Amortization	304,318	1,393	192,488	-	44,575	-	-	-		542,774
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	7,335,741	479,263	899,119	-	160,052	-	-	-	-	8,874,175
Net Tangible Capital Asset	5,103,164	18,806	1,228,302	-	181,728	-	36,265	-	7,587,045	14,155,310
Proceeds from Sale of Capital Assets	-	-	3,097	-	-	-	-			3,097

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Lakeshore Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

3. Significant Accounting Policies - Continued

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

3. Significant Accounting Policies - Continued

e) Tangible Capital Assets - Continued

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

3. Significant Accounting Policies - Continued

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds.

iii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable.

iv. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $2,900,000 by way of overdrafts and is repayable on demand at prime less 0.25%: interest is paid monthly. $2,900,000 remains available on this line of credit. The Division also has two authorized lines of credit with the CIBC for a total of $7,348,423 for capital projects by way of overdrafts and is repayable on demand at prime less 0.25%: interest is paid monthly. $6,298,640 remains available on these lines of credit. Overdrafts are secured by temporary borrowing by-laws.

6. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include supplemental employment and sick leave benefits.

7. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $103,991.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.625%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

	Principal	Interest	Total
2008	$ 441,474	$ 641,212	$1,082,686
2009	446,712	613,748	1,060,459
2010	466,128	587,009	1,053,137
2011	493,712	559,425	1,053,137
2012	523,010	530,127	1,053,137
	$2,371,036	$2,931,521	$5,302,556

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$23,029,485	$8,874,175	$14,155,310
Capital lease	-	-	-
	$23,029,485	$8,874,175	$14,155,310

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	673,650	688,525
	673,650	688,525
Capital Fund		
Reserve Accounts	3,097	50,028
Equity in Tangible Capital Assets	2,307,558	12,859,161
	2,310,655	12,909,189
Special Purpose Fund		
School Generated Funds	103,991	
Other Special Purpose Funds	17,046	
	121,037	-
Total Accumulated Surplus	$ 3,105,342	$13,597,714

11. Accumulated Surplus - continued

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(2,451,811)
Accumulated Amortization	(8,331,401)
	(10,783,212)
Special Purpose Fund	
School Generated Funds	129,209
Other Special Purpose Funds	-
	129,209
Total Restatement of Operating Accumulated Surplus	$(10,654,003)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$3,445,326	$3,274,788
Receivable-Due from Municipal-Property Tax	$1,868,562	$1,636,544

14. Interest Received and Paid

The Division received interest during the year of $40,135 (2006; $6,088); interest paid during the year was $695,283 (2006; $285,166).

Interest expense is included in Fiscal and is comprised of the following:

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 11,089	$ 25,413
Capital Fund		
Debenture debt interest	684,194	259,753
	$ 695,283	$ 285,166

The accrual portion of debenture debt interest expense of $293,596 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$9,056,782	$8,949,790	$8,544,746
Employees benefits and allowances	763,778	815,085	730,785
Services	1,117,900	984,775	1,116,597
Supplies, materials and minor equipment	1,380,783	1,179,945	982,467
Interest	695,283	25,000	285,166
Bad debts	-	-	-
Payroll tax	193,253	200,000	184,064
Transfers	35,958	43,100	34,968
Amortization	542,774		
Loss (Gain) and disposal of capital assets	(3,097)		
School generated funds	438,098		
Other special purpose funds	9,332		
	$14,230,844	$12,197,695	$11,878,793

16. Budget Figures and Non Financial Information

The 2007 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

Lord Selkirk School Division

205 MERCY STREET, SELKIRK, MANITOBA R1A 2C8
PH: (204) 482-5942 • TOLL FREE 1-866-433-5942 • FAX (204) 482-3000
E-mail: lssd.boardoffice@lssd.ca Website: www.lssd.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 27, 2007

BDO Dunwoody LLP
Chartered Accountants
and Advisors

378 Main Street
Selkirk, Manitoba, Canada R1A 1T8
Telephone (204) 482-5626
Telefax (204) 482-4969
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Lord Selkirk School Division

We have audited the consolidated statement of financial position of **Lord Selkirk School Division** as at June 30, 2007 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
September 27, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	837,521	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,032,135	565,015
	- Federal Government	129,842	81,822
	- Municipal Government	8,762,510	8,075,042
	- Other School Divisions	12,285	10,384
	- First Nations	100,221	123,035
	Accounts Receivable	41,597	61,706
	Accrued Investment Income	-	-
	Other Investments	-	
		10,916,111	8,917,004
	Liabilities		
	Overdraft	-	926,323
	Accounts Payable	3,986,208	3,600,605
	Accrued Liabilities	2,949,511	2,535,752
	Employee Future Benefits	-	-
	Accrued Interest Payable	463,883	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,770,140	1,464,148
*	Debenture Debt	17,892,950	11,165,887
	Other Borrowings	-	-
	School Generated Funds Liability	50,820	
		27,113,512	19,692,715
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,542,760	46,065,400
	Inventories	34,427	36,535
	Prepaid Expenses	58,755	70,860
		27,635,942	46,172,795
*	**Accumulated Surplus**	11,438,541	35,397,084

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	27,879,594	26,614,757
	Federal Government	38,464	65,016
	Municipal Government - Property Tax	14,978,085	13,486,351
	- Other	-	-
	Other School Divisions	178,550	177,250
	First Nations	410,787	414,822
	Private Organizations and Individuals	600,270	583,489
	Other Sources	199,614	199,343
	School Generated Funds	982,624	
	Other Special Purpose Funds	-	
		45,267,988	41,541,028
	Expenses		
	Regular Instruction	24,072,706	22,930,895
	Student Support Services	6,231,547	5,462,648
	Adult Learning Centres	300,880	295,859
	Community Education and Services	342,549	363,134
	Divisional Administration	1,212,096	1,063,642
	Instructional and Other Support Services	1,106,032	1,625,754
	Transportation of Pupils	2,014,279	1,938,820
	Operations and Maintenance	4,154,631	4,195,676
	Fiscal - Interest	820,023	789,157
	- Other	673,872	643,659
	Amortization	1,810,537	
	Other Capital Items	-	341,869
	School Generated Funds	970,184	
	Other Special Purpose Funds	-	
		43,709,336	39,651,113
	Current Year Surplus (Deficit)	1,558,652	1,889,915
	Opening Accumulated Surplus	35,397,084	33,507,169
	Restatements: Tangible Cap. Assets and Accum. Amort.	[illegible]	
*	Other than Tangible Cap. Assets	264,524	0
	Opening Accumulated Surplus, as restated	9,879,889	33,507,169
	Closing Accumulated Surplus	11,438,541	35,397,084

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,558,652
Amortization of Tangible Capital Assets	1,810,537
Acquisition of Tangible Capital Assets	(9,069,616)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(5,698,427)
Inventories (Increase)/Decrease	2,108
Prepaid Expenses (Increase)/Decrease	12,105
	14,213
(Increase)/Decrease in Net Debt	(4,125,562)
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	264,524
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,558,652
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,810,537
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	[illegible]
Accounts Receivable & Accrued Income (Increase)/Decrease	20,109
Inventories and Prepaid Expenses - (Increase)/Decrease	14,213
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,263,245
Deferred Revenue Increase/(Decrease)	305,992
School Generated Funds Liability Increase/(Decrease)	50,820
Restatements Other than Tangible Cap. Assets	264,524
Cash Provided by Operating Transactions	4,106,397
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	6,727,063
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	6,727,063
Cash and Bank / Overdraft (Increase)/Decrease	1,763,844
Cash and Bank (Overdraft) at Beginning of Year	[illegible]
Cash and Bank (Overdraft) at End of Year	837,521

Lord Selkirk School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	37,846,787	1,441,294	4,082,382	53,923	2,641,014	-	-	-	-	46,065,400
Restatements	(9,035,740)	2,099,319	(846,792)	46,336	(1,516,149)	959,746	279,518	1,210,339	2,042,059	(4,761,364)
Opening Cost restated	28,811,047	3,540,613	3,235,590	100,259	1,124,865	959,746	279,518	1,210,339	2,042,059	41,304,036
Add:										
Additions during the year	565,532	234,316	433,430	-	251,019	396,687	-	87,651	7,100,981	9,069,616
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	29,376,579	3,774,929	3,669,020	100,259	1,375,884	1,356,433	279,518	1,297,990	9,143,040	50,373,652
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	16,655,544	1,721,006	1,379,577	74,526	358,293	533,793	-	297,616	-	21,020,355
Opening restated	16,655,544	1,721,006	1,379,577	74,526	358,293	533,793	-	297,616	-	21,020,355
Add:										
Current period Amortization	804,393	109,764	330,775	14,018	209,564	216,607	-	125,416		1,810,537
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	17,459,937	1,830,770	1,710,352	88,544	567,857	750,400	-	423,032	-	22,830,892
Net Tangible Capital Asset	11,916,642	1,944,159	1,958,668	11,715	808,027	606,033	279,518	874,958	9,143,040	27,542,760
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

1. Nature of Organization and Economic Dependence

The Lord Selkirk School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $549,456 in 2007.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 1,211,982	$ 3,776,385	$3,590,818	$ 1,397,549
Capital Fund Donations	-	110,189	2,798	107,391
2003 Western Canada Games	50,394	-	50,394	-
Making Education Work	4,555	114,646	101,583	17,618
START	978	20,648	978	20,648
Breakfast Programs	13,896	4,688	9,123	9,461
International Students Program	132,567	185,641	153,322	164,886
Community Stadium	26,484	1,106	-	27,590
Other	23,292	24,997	23,392	24,997
	1,464,148	4,238,300	3,932,408	1,770,140

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 50,820.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2008	$ 1,885,271
2009	1,845,090
2010	1,820,202
2011	1,669,080
2012	1,643,991
	$ 8,833,635

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements,

provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ nil (previous year $ nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 807,016
Undesignated Surplus	1,567,052
	2,374,068
Capital Fund	
Reserve Accounts	196,395
Equity in Tangible Capital Assets	8,591,114
	8787,509
Special Purpose Fund	
School Generated Funds	276,964
Other Special Purpose Funds	0
	276,964
Total Accumulated Surplus	$11,438,541

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(4,761,364)
Accumulated Amortization	(21,020,355)
	(25,781,719)
Special Purpose Fund	
School Generated Funds	264,524
Other Special Purpose Funds	0
	264,524
Total Restatement of Opening Accumulated Surplus	(25,517,195)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 18,568,903	$ 16,488,354
Receivable – Due from Municipal – Property Tax	$ 8,762,510	$ 8,075,042

13. Interest Received and Paid

The Division received interest during the year of $42,026 (previous year $16,156); interest paid during the year was $820,023 (previous year $789,157).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 64,755
Capital Fund	
Debenture interest	755,268
Other interest	-
	$ 820,023

The accrual portion of debenture debt interest expense of $ 463,883 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

2007	Actual 2007	Budget 200(	Actual
Salaries	$ 31,140,183	$31,000,325	$ 29,902,432
Employees benefits and allowances	2,523,319	2,471,625	2,264,370
Services	3,045,313	2,863,070	2,937,365
Supplies, materials & minor equipment	2,531,246	3,014,200	2,571,538
Interest	820,023	85,000	789,157
Bad debts	-	-	-
Payroll tax	673,872	666,325	643,659
Amortization	1,810,537	-	-
Transfers	194,659	211,430	200,723
Other capital items	-	-	341,869
School generated funds	970,184	-	-
Other special purpose funds		-	-
	$ 43,709,336	$ 40,311,975	$ 39,651,113

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Louis Riel School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP Chartered Accountants and Advisors, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 28, 2007

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Gra[illegible] Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Louis Riel School Division

We have audited the consolidated statement of financial position of **Louis Riel School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 28, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,782,514	1,913,852
	- Federal Government	229,004	228,279
13	- Municipal Government	24,233,619	25,602,123
	- Other School Divisions	279,420	178,613
	- First Nations	-	-
	Accounts Receivable	1,204,315	293,757
	Accrued Investment Income	-	-
	Other Investments	-	
		27,728,872	28,216,624
	Liabilities		
5	Overdraft	4,572,956	2,571,816
	Accounts Payable	4,079,088	4,417,019
	Accrued Liabilities	1,450,925	6,847,738
	Employee Future Benefits	-	-
	Accrued Interest Payable	714,136	-
	Due to - Provincial Government	16,911	31,786
	- Federal Government	3,622	10,314
	- Municipal Government	-	-
	- Other School Divisions	1,658,306	1,296,784
	- First Nations	-	-
7	Deferred Revenue	6,110,353	4,888,979
9	Debenture Debt	24,018,312	25,871,002
	Other Borrowings	-	-
8	School Generated Funds Liability	178,224	
		42,802,833	45,935,438
	Net Debt		
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	40,266,119	129,263,220
	Inventories	49,434	54,853
	Prepaid Expenses	662,142	411,946
		40,977,695	129,730,019
11	**Accumulated Surplus**	25,903,734	112,011,205

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	87,221,677	82,583,616
	Federal Government	-	-
13	Municipal Government - Property Tax	41,880,844	42,728,439
	- Other	-	-
	Other School Divisions	496,197	603,139
	First Nations	-	-
	Private Organizations and Individuals	1,245,733	1,084,021
	Other Sources	492,806	340,864
	School Generated Funds	4,828,638	
	Other Special Purpose Funds	-	
		136,165,895	127,340,079
	Expenses		
	Regular Instruction	72,455,264	73,522,249
	Student Support Services	23,829,540	18,314,720
	Adult Learning Centres	-	-
	Community Education and Services	781,357	739,587
	Divisional Administration	3,894,633	3,521,616
	Instructional and Other Support Services	6,133,320	7,260,186
	Transportation of Pupils	2,145,754	2,047,288
	Operations and Maintenance	14,253,687	13,966,371
14	Fiscal - Interest	2,770,018	2,165,155
	- Other	2,043,275	2,008,306
	Amortization	2,565,310	
	Other Capital Items	2,574	73,827
	School Generated Funds	4,597,270	
	Other Special Purpose Funds	-	
		135,472,002	123,619,305
	Current Year Surplus (Deficit)	693,893	3,720,774
	Opening Accumulated Surplus	112,011,205	108,290,431
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(88,383,000)	
	Other than Tangible Cap. Assets	1,581,636	0
	Opening Accumulated Surplus, as restated	25,209,841	108,290,431
	Closing Accumulated Surplus	25,903,734	112,011,205

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	693,893
Amortization of Tangible Capital Assets	2,565,310
Acquisition of Tangible Capital Assets	(1,953,783)
(Gain) / Loss on Sale of Tangible Capital Assets	2,574
Proceeds on Sale of Tangible Capital Assets	-
	614,101
Inventories (Increase)/Decrease	5,419
Prepaid Expenses (Increase)/Decrease	[illegible]
	[illegible]
(Increase)/Decrease in Net Debt	1,063,217
Net Debt at Beginning of Year	[illegible]
Restatements Other than Tangible Cap. Assets	1,581,636
Net Debt at Beginning of Year as Restated	[illegible]
Net Debt at End of Year	[illegible]

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	693,893
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	2,565,310
(Gain)/Loss on Disposal of Tangible Capital Assets	2,574
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	1,398,310
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	339,955
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	1,221,374
School Generated Funds Liability Increase/(Decrease)	178,224
Restatements Other than Tangible Cap. Assets	1,581,636
Cash Provided by Operating Transactions	1,805,333
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Louis Riel School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	116,923,265	3,958,669	2,052,088	640,655	2,110,257	-	3,578,286	-	-	129,263,220
Restatements	(25,321,264)	(540,272)	(106,180)	(537,714)	(1,587,495)	339,158	719,924	-	-	(27,033,843)
Opening Cost restated	91,602,001	3,418,397	1,945,908	102,941	522,762	339,158	4,298,210	-	-	102,229,377
Add:										
Additions during the year	1,031,267	-			20,456	41,910		-	860,150	1,953,783
Less:										
Disposals and write downs	-	-			-	-	-	-	-	-
Closing Cost	92,633,268	3,418,397	1,945,908	102,941	543,218	381,068	4,298,210	-	860,150	104,183,160
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	58,107,656	2,185,089	583,260	10,354	280,020	182,778		-	-	61,349,157
Opening restated	58,107,656	2,185,089	583,260	10,354	280,020	182,778	-	-	-	61,349,157
Add:										
Current period Amortization	2,092,020	90,623	188,457	20,588	68,105	105,517		-		2,565,310
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	(2,574)						-	(2,574)
Closing Accumulated Amortization	60,199,676	2,275,712	774,291	30,942	348,125	288,295	-	-	-	63,917,041
Net Tangible Capital Asset	32,433,592	1,142,685	1,171,617	71,999	195,093	92,773	4,298,210	-	860,150	40,266,119
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

LOUIS RIEL SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Louis Riel School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006 07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan

The division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba Association of School Trustees Pension Plan (MAST). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured Employee Future Benefits Plan

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006 07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with The Royal Bank of $25,000,000 by way of overdrafts and is repayable on demand at prime less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee benefit expense is part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $1,419,694 in 2006/2007.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Education Property Tax Credit	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
	$ 4,888,979	$ 6,601,285	$ 5,379,932	$ 6,110,353

The above amounts are included in the total deferred revenue balance of the Division for funding that will not be recognized until the following fiscal year. The total deferred revenue balance at June 30, 2007 is $6,110,353 (2006 $4,888,979).

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $178,224.

	2007
Parent council funds	$ 22,855
Other parent group funds	-
Students council funds	126,590
Travel club funds	28,779
	$ 178,224

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 2,599,620	$ 1,829,130	$ 4,428,750
2009	2,359,956	1,581,624	3,941,580
2010	1,996,630	1,364,357	3,360,987
2011	1,752,589	1,190,975	2,943,564
2012	1,772,336	1,044,749	2,817,085
	$ 10,481,131	$ 7,010,835	$ 17,491,966

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	1,372,801
Undesignated Surplus	5,112,289
	6,485,090
Capital Fund	
Reserve Accounts	2,028,339
Equity in Tangible Capital Assets	15,587,351
	17,615,690
Special Purpose Fund	
School Generated Funds	1,813,004
Other Special Purpose Funds	-
	1,813,004
Total Accumulated Surplus	$ 25,913,784

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	818,748
School budget carryovers by board policy	554,053
Designated surplus	$ 1,372,801

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	2,028,339
Other reserves	
Capital Reserve	$ 2,028,339

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for schools.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	27,733,843
Accumulated Amortization	(1,349,157)
	26,384,686
Special Purpose Fund	
School Generated Funds	1,581,639
Other special Purpose Funds	-
	1,581,639
Total Restatement of Opening Accumulated Surplus	$ 27,966,325

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 41,881,844	$ 42,728,459
Receivable-Due from Municipal-Property Tax	$ 24,238,619	$ 25,602,125

14. Interest Received and Paid

The Division received interest during the year of $304,696 (previous year $245,325); interest paid during the year was $2,770,018 (previous year $2,165,155).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 9,815
Capital Fund	
Debenture debt interest	2,760,203
Other interest	
	$ 2,770,018

The accrual portion of debenture debt interest expense of $714,135 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 95,578,203	$ 94,475,578	$ 91,489,864
Employees benefits & allowances	6,800,720	6,259,618	6,998,689
Services	13,959,872	11,268,450	15,111,621
Supplies, materials & minor equipment	7,154,710	6,159,947	5,772,842
Interest	2,770,018	1,868,670	2,169,166
Bad debts	-	-	-
Payroll tax	2,143,275	1,842,611	2,108,917
Amortization	2,585,317	-	
Other capital items	2,674	-	73,827
School generated funds	4,097,271	-	-
Other special purpose funds	-	-	
	$ 135,472,310	$ 123,874,874	$ 125,618,926

16. Contractual Obligations

Agreements respecting student transportation were entered into for terms ranging from one to three years. Future annual minimum operating commitments as at June 30, 2007 are as follows:

2008 $1,307,000
2009 $1,346,000
2010 $1,386,000

21. Special Levy Raised for la Division scolaire franco-manitobaine
In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of the special levy was $6,673,135 ($6,212,379 in 2006).

These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mountain View School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

_____ _____

Chairperson Secretary-Treasurer

October 12, 2007

AUDITOR'S REPORT

(In accordance with subsection 41(1) of the Public Schools Act)

To the Board of Trustees
Mountain View School Division

We have audited the consolidated statement of financial position of the Mountain View School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Magnus Norris Kenny LLP

Brandon, Manitoba
October 12, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,132,844	764,895
	- Federal Government	55,340	98,451
	- Municipal Government	5,089,587	4,969,811
	- Other School Divisions	220,754	124,208
	- First Nations	298,180	-
	Accounts Receivable	67,378	306,046
	Accrued Investment Income	-	-
	Other Investments	-	
		6,864,083	6,263,411
	Liabilities		
5	Overdraft	2,309,115	2,735,586
	Accounts Payable	1,127,815	1,499,552
	Accrued Liabilities	1,756,152	1,613,135
7	Employee Future Benefits	141,646	-
	Accrued Interest Payable	245,752	-
	Due to - Provincial Government	5,676	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	34,586	27,064
	- First Nations	-	-
8	Deferred Revenue	1,121,082	891,563
10	Debenture Debt	9,962,450	7,238,434
11	Other Borrowings	96,363	1,533,117
	School Generated Funds Liability	110,308	
		16,910,945	15,538,451
	Net Debt		
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	13,336,757	40,866,840
	Inventories	184,473	7,358
	Prepaid Expenses	446,138	330,192
		13,967,368	41,204,390
13	**Accumulated Surplus**	3,920,506	31,929,350

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	22,205,441	21,208,612
	Federal Government	47,961	218,302
	Municipal Government - Property Tax	8,393,654	7,954,019
	- Other	-	-
	Other School Divisions	375,130	399,025
	First Nations	611,651	280,877
	Private Organizations and Individuals	320,645	311,527
	Other Sources	163,977	102,756
	School Generated Funds	369,341	
	Other Special Purpose Funds	-	
		32,487,800	30,475,118
	Expenses		
	Regular Instruction	17,247,490	16,898,745
	Student Support Services	4,263,175	3,534,660
	Adult Learning Centres	111,169	75,000
	Community Education and Services	59,055	93,862
	Divisional Administration	911,447	880,620
	Instructional and Other Support Services	1,027,194	1,454,322
	Transportation of Pupils	2,233,271	2,132,260
	Operations and Maintenance	3,768,731	3,496,292
16	Fiscal - Interest	931,958	645,458
	- Other	482,031	468,568
	Amortization	1,151,315	
	Other Capital Items		187,172
	School Generated Funds	348,885	
	Other Special Purpose Funds	-	
		32,296,972	29,866,959
	Current Year Surplus (Deficit)	190,828	608,159
	Opening Accumulated Surplus	31,929,350	31,321,191
	Restatements: Tangible Cap. Assets and Accum. Amort.		
14	Other than Tangible Cap. Assets	172,478	0
	Opening Accumulated Surplus, as restated	3,729,678	31,321,191
	Closing Accumulated Surplus	3,920,506	31,929,350

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	190,828
Amortization of Tangible Capital Assets	1,151,315
Acquisition of Tangible Capital Assets	(2,041,053)
(Gain) / Loss on Sale of Tangible Capital Assets	(238,749)
Proceeds on Sale of Tangible Capital Assets	286,420
Inventories (Increase)/Decrease	(177,115)
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	172,478
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	190,828
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,151,315
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	141,646
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	238,668
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	13,198
Accounts Payable & Accrued Liabilities Increase/(Decrease)	17,032
Deferred Revenue Increase/(Decrease)	229,519
School Generated Funds Liability Increase/(Decrease)	110,308
Restatements Other than Tangible Cap. Assets	172,478
Cash Provided by Operating Transactions	893,842
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	286,420
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	2,724,016
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	1,287,262
Cash and Bank / Overdraft (Increase)/Decrease	426,471
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Mountain View School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	32,325,453	2,377,325	3,690,302	300,153	1,794,533	-	379,074	-	-	40,866,840
Restatements	(3,165,048)	(756,378)	-	69,200	284,229	50,679	248,989	25,000	1,710,490	(1,532,839)
Opening Cost restated	29,160,405	1,620,947	3,690,302	369,353	2,078,762	50,679	628,063	25,000	1,710,490	39,334,001
Add:										
Additions during the year	1,588,823	1,365,211	407,660	26,305	43,029	118,252	-	-	(1,508,227)	2,041,053
Less:										
Disposals and write downs	-	359,195	188,158	-	-	-	47,671	-		595,024
Closing Cost	30,749,228	2,626,963	3,909,804	395,658	2,121,791	168,931	580,392	25,000	202,263	40,780,030
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	21,453,117	711,284	2,451,997	287,622	1,874,150	42,391	-	18,750	-	26,839,311
Opening restated	21,453,117	711,284	2,451,997	287,622	1,874,150	42,391	-	18,750	-	26,839,311
Add:										
Current period Amortization	715,736	71,014	241,945	37,162	60,865	22,093	-	2,500		1,151,315
Less:										
Accumulated Amortization on Disposals and Writedowns	-	359,195	188,158	-	-	-	-	-	-	547,353
Closing Accumulated Amortization	22,168,853	423,103	2,505,784	324,784	1,935,015	64,484	-	21,250	-	27,443,273
Net Tangible Capital Asset	8,580,375	2,203,860	1,404,020	70,874	186,776	104,447	580,392	3,750	202,263	13,336,757
Proceeds from Sale of Capital Assets	-	240,000	6,420	-	-	-	40,000			286,420

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006 07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division also provides retirement benefits to its non-teaching employees. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution insured benefit plans

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with the Bank of Montreal of $ 2,714,120 by way of overdrafts and is repayable on demand at prime less.6%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $400,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Short Term Investments

Currently the Division has no short term investments.

7. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefit is the annual vacation earned by the twelve month non-teaching employees during the fiscal year. Typically this earned vacation entitlement is taken in the subsequent fiscal year.

	Type of Plan		2007
Employee Future Benefit Liabilities (EFBL)			
Vacation Accrual	defined benefits		$ 141,646
Pension plan	defined benefits		
Accrued EFBL		$ -	
Deduct: Pension plan assets		-	
Unamortized actuarial (gains) losses		-	
Long-term disability	defined contribution		-
Continuation benefits-health care, dental or life ins	defined benefits, vesting		-
Supplemental unemployment benefits	defined benefits event driven		-
Total Employee Future Benefit Liability			$ 141,646
Employee future benefit expense (EFB)			$ -
Payment made during the year			$ -

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to non-teaching staff through the MAST Pension Plan. Eligible employees contributed a percentage of their regular salary or wage. The percentage varies according to the age of the employee. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

8. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Donated Capital Assets	-	-	-	-
Property Tax Credit & Healthy Child	891,563	1,121,082	891,563	1,121,082
	$ 891,563	$ 1,121,082	$ 891,563	$ 1,121,082

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $110,308.

	2007
Parent council funds	$ -
Other parent group funds	-
Students council funds	110,308
Travel club funds	-
	$ 110,308

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of nine months from July 1, 2006 to March 31, 2007.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects . The debentures carry interest rates that range from 4.875% to 12.125%.

11. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes short term financing for the Administration facility and loans to purchase division vehicles.

	2007	2006
Admin Facility Financing - Short term	$ -	$ 1,530,056
Division Vehicle Loan	-	3,062
Capital Finance for Video Conf Systems	96,363	-
	$ 96,363	$ 1,533,117

Admin Facility-short term Financing loan had an interest rate of prime-.6%, due upon receipt of debenture and interest charges paid monthly. This loan is secured by way of a borrowing by-law.

Division Vehicle loan had 0.0% interest per annum, due in 2006 and a monthly payment of $1020.42 principal. This loan is secured by way of Financing Agreement.

Capital Financing for the Video Conferencing systems has an interest rate of prine-.6% interest per annum, due in 2011 and a monthly payment of $1967.00 principal. This loan is secured by way of borrowing by-law.

12. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0.00 (previous year $0.00).

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 40,780,000	$ 27,449,270	$ 13,330,797
Capital lease	-	-	-
	$ 40,780,000	$ 27,449,270	$ 13,330,797

13. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	105,875
Undesignated Surplus	689,159
	795,034
Capital Fund	
Reserve Accounts	54,975
Equity in Tangible Capital Assets	2,877,563
	2,932,538
Special Purpose Fund	
School Generated Funds	192,934
Other Special Purpose Funds	-
	192,934
Total Accumulated Surplus	$ 3,920,506

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	-
School budget carryovers by board policy	105,875
Designated surplus	$ 105,875

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	54,975
Other reserves	-
Capital Reserve	$ 54,975

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

14. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(1,532,839)
Accumulated Amortization	26,839,311
	(28,372,150)
Special Purpose Fund	
School Generated Funds	172,478
Other Special Purpose Funds	-
	172,478
Total Restatement of Opening Accumulated Surplus	$ (28,199,672)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

15. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 8,393,654	$ 7,954,019
Receivable-Due from Municipal-Property Tax	$ 5,089,587	$ 4,969,811

16. Interest Received and Paid

The Division received interest during the year of $3,966 (previous year $506); interest paid during the year was $ 931,958 (previous year $ 645,458).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 126,560
Capital Fund	
Debenture debt interest	772,755
Other interest	32,643
	$ 931,958

17. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

	2007
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	$ -
Accounts Receivable	-
	$ -
Bad debts expense (included in fiscal-Other)	$ -

18. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 22,551,462	$ 21,088,462	$ 21,522,983
Employees benefits & allowances	1,908,221	1,692,928	1,767,834
Services	2,890,622	2,482,761	2,626,595
Supplies materials & minor equipment	2,432,264	2,415,471	2,615,178
Interest	921,953	90,000	849,426
Bad debts	-		
Payroll tax and Transfer	520,986	453,213	477,726
Amortization	1,151,213		
Other capital items	258,749		187,472
School generated funds	648,880		-
Other special purpose funds	-	-	-
	$ 33,296,972	$ 28,224,835	$ 29,800,914

19. Contractual Obligations

Currently there are no contractual obligations affecting Mountain View School Division.

20. Contingent Liabilities

No legal action has been initiated against the Division.

KENDALL WALL PANDYA

Chartered Accountants

158 Cree Road, Thompson, MB R8N 0C1 (204) 778-7412 Fax 778-7919
900-91 Main St., P.O. Box 158, Flin Flon, MB R8A 1M7 (204) 687-8261 Fax 687-2957

Partners.... David Kendall, F.C.A.
Robert Wall, F.C.A.
Manisha Pandya, C.A.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mystery Lake School District are the responsibility of the District management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The consolidated financial statements have been audited by Kendall Wall Pandya, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Chairperson

Secretary - Treasurer

October 26, 2017

KENDALL WALL PANDYA

Chartered Accountants

118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919
360-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8201 Fax 687-2957

Partners.... David Kendall, F.C.A.
Robert Wall, F.C.A.
Manisha Pandya, C.A.

AUDITOR'S REPORT TO THE BOARD OF TRUSTEES

We have audited the Consolidated Statements of Financial Position, Revenue, Expenses and Accumulated Surplus, changes in Net Debt and Cash Flow of Mystery Lake School District as at June 30, 2007 for the year then ended. These financial statements are the responsibility of the School District's Management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the School District as at June 30, 2007, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

THOMPSON, MANITOBA

March 14, 2008
DATE

Kendall Wall Pandya
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	535,086	-
	Short Term Investments	-	-
	Due from - Provincial Government	508,583	382,407
	- Federal Government	126,683	77,763
	- Municipal Government	4,627,574	4,491,638
	- Other School Divisions	16,554	59,009
	- First Nations	42,447	-
	Accounts Receivable	66,121	103,888
	Accrued Investment Income	-	-
	Other Investments	-	
		5,923,048	5,114,705
	Liabilities		
	Overdraft	-	1,423,123
	Accounts Payable	179,376	1,200,592
	Accrued Liabilities	3,869,929	1,828,779
#7	Employee Future Benefits	553,023	-
	Accrued Interest Payable	120,892	-
	Due to - Provincial Government	-	-
	- Federal Government	1,613	454
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
#8	Deferred Revenue	825,956	442,319
#10	Debenture Debt	6,045,135	6,660,200
	Other Borrowings	-	-
	School Generated Funds Liability	154,555	
		11,750,479	11,555,467
	Net Debt		
	Non-Financial Assets		
#11	Net Tangible Capital Assets (TCA Schedule)	10,764,450	30,694,341
	Inventories	124,653	108,928
	Prepaid Expenses	152,360	111,725
		11,041,463	30,914,994
#13	**Accumulated Surplus**	5,214,032	24,474,232

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	24,917,535	23,053,181
	Federal Government	3,875	85,295
	Municipal Government - Property Tax	5,914,129	5,648,759
	- Other	1,698,558	1,670,186
	Other School Divisions	82,259	90,652
	First Nations	430,380	361,033
	Private Organizations and Individuals	82,370	208,971
	Other Sources	300,821	13,135
	School Generated Funds	332,426	
	Other Special Purpose Funds	-	
		33,762,353	31,131,212
	Expenses		
	Regular Instruction	18,263,670	17,127,241
	Student Support Services	5,523,041	4,439,345
	Adult Learning Centres	-	-
	Community Education and Services	163,585	248,652
	Divisional Administration	1,511,860	1,030,205
	Instructional and Other Support Services	1,395,006	2,020,821
	Transportation of Pupils	165,787	157,704
	Operations and Maintenance	4,138,731	4,072,054
#16	Fiscal - Interest	589,517	522,069
	- Other	511,862	460,925
	Amortization	633,057	
	Other Capital Items	-	-
	School Generated Funds	298,870	
	Other Special Purpose Funds	-	
		33,194,986	30,079,016
	Current Year Surplus (Deficit)	567,367	1,052,196
	Opening Accumulated Surplus	24,474,232	23,422,036
#14	Restatements: Tangible Cap. Assets and Accum. Amort.	(19,666,319)	
#14	Other than Tangible Cap. Assets	(161,248)	0
	Opening Accumulated Surplus, as restated	4,646,665	23,422,036
	Closing Accumulated Surplus	5,214,032	24,474,232

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	567,367
Amortization of Tangible Capital Assets	633,057
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	263,572
Inventories (Increase)/Decrease	
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	774,579
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	567,367
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	633,057
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	553,023
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	37,767
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	1,159
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,140,826
Deferred Revenue Increase/(Decrease)	383,637
School Generated Funds Liability Increase/(Decrease)	154,555
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	2,942,759
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	1,958,209
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	535,086

Mystery Lake School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	26,674,850	1,257,893	-	108,817	1,978,391	-	674,390	-	-	30,694,341
Restatements	(2,044,532)	950,519	-	-	(1,482,194)	18,564	2,239,882	-	-	(317,761)
Opening Cost restated	24,630,318	2,208,412	-	108,817	496,197	18,564	2,914,272	-	-	30,376,580
Add:										
Additions during the year	-	44,156	-	65,112	113,456	19,761	-	-	127,000	369,485
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	24,630,318	2,252,568	-	173,929	609,653	38,325	2,914,272	-	127,000	30,746,065
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	17,641,438	1,472,907	-	67,366	160,837	6,010	-	-	-	19,348,558
Opening restated	17,641,438	1,472,907	-	67,366	160,837	6,010	-	-	-	19,348,558
Add:										
Current period Amortization	474,989	61,621	-	17,340	73,069	6,038	-	-		633,057
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	18,116,427	1,534,528	-	84,706	233,906	12,048	-	-	-	19,981,615
Net Tangible Capital Asset	6,513,891	718,040	-	89,223	375,747	26,277	2,914,272	-	127,000	10,764,450
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

MYSTERY LAKE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

---

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Mystery Lake School District is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax under the Income Tax Act.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District would not be able to continue its operations.

2. COMPARATIVE FIGURES

The District adopted Public Sector Accounting Board (PSAB) standards during the 2006/2007 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening surplus presented as a restatement on the Statement of Revenues, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the District followed prior to the implementation of PSAB.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses for the operating fund, capital fund, and special purpose fund of the District. The District reporting entity includes school generated funds controlled by the District.

b) Trust Funds

The District administers a scholarship fund. This scholarship fund is included as an accounts payable in the financial statements. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

c) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenue as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the District to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the District.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the Mystery Lake School District are used for such activities as student activities, lunch programs, student council and physical education.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, and student funds for activities such as year book, prom, graduation and drama. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the District to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimate Useful Life (years)
Land Improvement	25,000	10
Buildings – bricks, mortar, steel	25,000	40
Buildings – wood frame	25,000	25
School Buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the District's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2007 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the District are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

However, the District provides retirement and other future benefits to its employees.

These benefits include life insurance, extended health benefits, dental, prescription drugs, vision and long term disability. The District has adopted the following policies with respect to accounting for these employee future benefits.

i) Defined Contribution / Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the District each period for services rendered by the employees. No responsibility is assumed by the District to make any further contribution.

The District makes defined contributions on behalf of support staff who belong to the Manitoba School of Trustees (MAST) pension plan. The contribution amount is 10% of the total of the employee's gross earnings, employer paid benefits, CPP, and EI premiums. The District fully funds the basic life insurance, long term disability, vision, dental, prescription drugs and extended health benefits for support staff.

The District fully funds long term, short term disability, vision, dental, prescription drugs and extended health benefits for the teachers. Additionally the District pays 50% of the teachers life insurance premiums.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the District's fixed contribution for the period including interest accrued for late remittance.

As described under the terms of Article 23 of the Collective Agreement, certain teaching staff have been offered an early leave incentive plan. The agreement states that the payment terms under this plan will be based on annual instalments depending on the age of the teacher at the time of acceptance of the offer.

ii) **Defined Benefits / Self Insured Employee Future Benefit Plans**
Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the District. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the District.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days; the benefit costs are accounted for on a full accrual basis determined using management's best estimate of salary escalation, accumulated sick days, insurance & health care costs trends, long-term inflation rates.

The employee self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

For those future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Districts contribution for the period.

h) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

The Mystery Lake School District has no amounts set aside in Capital Reserves at this time.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The District is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted

4. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD

Commencing with the 2006 / 2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds controlled by the District.

iii) The Employee Future Benefits Liability was established to account for the District's commitment to pay vested future benefits to its employees.

iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. OVERDRAFT

The District has an authorized line of credit with the CIBC valued at $8,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not paid until November of each year. The District receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the District incurs similar expenses in these months as during the rest of the year.

The District was not in an overdraft position at June 30, 2007.

6. SHORT TERM INVESTMENTS

The District does not invest in short term investments because its cash flow is such that there are never any substantial amount of funds to invest for any length of time.

7. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be
paid out until future periods. The employee future benefits are comprised of the following:

Employee Future Benefit Liabilities	Type of Plan	2007
Sick Leave Buyout Teachers	Defined Contribution	$ 336,272
Early Leave Incentive Plan Teachers	Defined Contribution	206,028
Sick Leave Buyout Support Staff	Defined Contribution	10,723
Pension Plan	Defined Contribution	607,768
Accrued Wages Payable		3,100,795
		$ 4,261,585

8. DEFERRED REVENUE

Deferred revenue valued at $882,796 at June 30, 2007 consisted of the following:

a) Education Property Tax Credit is valued at $1,322,763.72 for the 2007 calendar year. $793,658.23 or 60% was taken into revenue in the 2006 - 2007 school year for the period from January to June 30, 2007 while the remaining $529,105.49 relating to September to December 2007 was set up as deferred revenue at June 30, 2007 and will be taken into revenue in the 2007 - 2008 school year.

b) Because of the change to PSAB effective the 2006 - 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, Ecole Riverside School, Juniper School, Westwood School and Wapanohk School funded by the Playground Committees are considered to have been donated to the Schools. It is recorded on the District's books by debiting Capital Assets and crediting Deferred Revenue. The equipment is considered to have a useful life of 5 years. In each of the five years, one fifth of the value of the assets will be recorded as Revenue with an offsetting debit to Deferred Revenue. At the end of the five year time period, the assets will be fully depreciated and the Deferred Revenue account will have a value of zero. The value of the equipment at the time of the donations was $336,635.

c) During the year a number of grants were received from various sources to be used for specific projects. Grant revenues are recognized as expenses are incurred for the related project. Revenues exceeding the project expenses are deferred until the related expenses are incurred. Deferred revenue related to specific projects was $106,669.

9. SCHOOL GENERATED FUNDS LIABILITY

School generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $154,555. The breakdown is as follows:

	2007
Parent Council Fund	$ 28,815
Playground Committees	35,248
Other Parent Group Funds	33,148
Student Funds	57,344
	$154,555

10. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
10.500	March 15, 2008	$ 24,409
10.625	May 15, 2008	17,367
10.375	October 31, 2009	26,491
10.750	May 15, 2011	71,280
9.250	September 15, 2012	42,699
7.625	February 28, 2014	191,143
8.625	October 31, 2015	283,035
7.375	November 30, 2016	246,165
7.625	February 15, 2017	95,297
6.125	April 30, 2018	213,959
5.875	February 15, 2019	253,527
5.875	February 15, 2019	330,022
6.750	October 15, 2019	98,875
7.250	February 28, 2020	168,121
6.625	April 15, 2021	397,675
6.500	January 15, 2022	871,273
6.875	May 31, 2022	763,754
6.000	February 15, 2024	844,581
6.125	June 15, 2024	695,940
5.375	June 30, 2025	409,505
		$6,045,135

Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 354,005	$ 400,228	$ 754,233
2009	334,097	373,932	708,029
2010	357,573	350,455	708,028
2011	372,037	325,269	697,306
2012	375,099	299,354	674,453
	$1,792,811	$1,749,238	$3,542,049

11. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned Tangible Capital Assets	$30,746,065	$19,981,615	$10,764,450

The District does not have any Capital Leases at this time.

12. OBLIGATION UNDER OPERATING LEASES

Operating lease commitments for the next five years are:

Year ending June 30, 2008	$ 32,725
2009	26,143
2010	15,157
2011	-
2012	-
	$ 74,025

13. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ -
Undesignated Surplus	746,929
	$ 746,929
Capital Fund	
Reserve Accounts	$ -
Equity in Tangible Capital Assets	4,170,932
	$4,170,932
Special Purpose Fund	
School Generated Funds	$ -
Other Special Purpose Funds	118,439
	$ 118,439
Total Accumulated Surplus	$5,036,300

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. The District does not have any designated surplus at this time.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The District does not have any reserve accounts at this time.

School generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2007
Other Student Activity	$ -
Other Special Purpose Funds	118,439
	$ 118,439

14. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	$ (299,138)
Accumulated Amortization	(19,367,184)
Other than Tangible Capital Assets	(408,096)
	$(20,074,415)
Special Purpose Fund	
School Generated Funds	$ -
Other Special Purpose Funds	84,883
Total Restatement of Opening Accumulated Surplus	$(19,989,532)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

15. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the students resident in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue Municipal Government Property Tax	$5,914,129	$5,648,759
Receivable Due from Municipal Property Tax	$3,600,973	$3,465,037

16. INTEREST RECEIVED AND PAID

The District received interest during the year of $453,302 (2006 $488,009); interest paid during the year was $468,626 (2006 $522,069).

	2007
Operating Fund	
Fiscal-short Term Loan, Interest and Bank Charges	$ 15,324
Capital Fund	
Debenture Debt Interest	574,194
Other Interest	-
	$ 589,518

The accrual portion of debenture debt interest expense of $120,892 included under the Capital Fund-Debenture debt interest, is offset by an accrual of debt servicing grant.

17. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts. There is no allowance for doubtful accounts as at June 30, 2007.

18. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Park West School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 21, 2007

AUDITOR'S REPORT

In accordance with subsection 181(1) of the Public Schools Act

To the Board of Trustees
Park West School Division

We have audited the consolidated statement of financial position of the Park West School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for the fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and schedules listed and considered in relation to the consolidated financial statements present fairly the supplemental information shown.

Brandon, Manitoba
September 21, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	600,197	392,008
	- Federal Government	163,957	107,767
	- Municipal Government	3,100,891	2,815,568
	- Other School Divisions	-	-
	- First Nations	899,654	-
	Accounts Receivable	100,647	973,033
	Accrued Investment Income	-	-
	Other Investments	-	
		4,865,346	4,288,376
	Liabilities		
5	Overdraft	1,763,229	2,103,694
	Accounts Payable	371,057	290,092
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	200,863	-
	Due to - Provincial Government	-	9,905
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	
	- First Nations	-	-
6	Deferred Revenue	540,891	458,628
7	Debenture Debt	7,856,411	8,387,371
8	Other Borrowings	38,063	48,960
	School Generated Funds Liability	-	
		10,770,514	11,298,650
	Net Debt		
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,778,856	28,035,866
	Inventories	106,039	139,834
	Prepaid Expenses	30,144	34,258
		8,915,039	28,209,958
10	**Accumulated Surplus**	3,009,871	21,199,684

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	12,809,776	12,673,085
	Federal Government	-	-
	Municipal Government - Property Tax	5,656,009	5,076,771
	- Other	-	-
	Other School Divisions	21,450	20,800
	First Nations	1,102,143	1,550,138
	Private Organizations and Individuals	1,400	10,185
	Other Sources	43,886	61,815
	School Generated Funds	883,853	
	Other Special Purpose Funds	-	
		20,518,517	19,392,794
	Expenses		
	Regular Instruction	9,957,087	10,422,920
	Student Support Services	2,376,994	2,107,697
	Adult Learning Centres	-	-
	Community Education and Services	15,225	9,462
	Divisional Administration	667,368	712,555
	Instructional and Other Support Services	420,715	722,701
	Transportation of Pupils	1,784,881	1,800,710
	Operations and Maintenance	2,000,717	1,981,073
13	Fiscal - Interest	867,435	699,153
	- Other	265,530	283,131
	Amortization	755,259	
	Other Capital Items		-
	School Generated Funds	854,526	
	Other Special Purpose Funds	-	
		19,962,942	18,739,402
	Current Year Surplus (Deficit)	555,575	653,392
	Opening Accumulated Surplus	21,199,684	20,546,292
	Restatements: Tangible Cap. Assets and Accum. Amort.		
11	Other than Tangible Cap. Assets	199,574	0
	Opening Accumulated Surplus, as restated	2,454,296	20,546,292
	Closing Accumulated Surplus	3,009,871	21,199,684

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	555,575
Amortization of Tangible Capital Assets	755,259
Acquisition of Tangible Capital Assets	(443,211)
(Gain) / Loss on Sale of Tangible Capital Assets	(2,795)
Proceeds on Sale of Tangible Capital Assets	2,795
	312,048
Inventories (Increase)/Decrease	33,795
Prepaid Expenses (Increase)/Decrease	4,114
	37,909
(Increase)/Decrease in Net Debt	905,532
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	199,574
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	555,575
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	755,259
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	872,386
Inventories and Prepaid Expenses - (Increase)/Decrease	37,909
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	281,828
Deferred Revenue Increase/(Decrease)	82,263
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	199,574
Cash Provided by Operating Transactions	1,322,738
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	2,795
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	340,465
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Park West School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	23,387,652	239,092	2,453,625	27,660	1,712,488	-	215,349	-	-	28,035,866
Restatements	(3,711,108)	(68,603)	(867,203)	33,866	(1,542,829)	-	157,639	-	62,763	(5,935,475)
Opening Cost restated	19,676,544	170,489	1,586,422	61,526	169,659	-	372,988	-	62,763	22,100,391
Add:										
Additions during the year	262,800	-	87,961		30,914	-	-	-	61,536	443,211
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,939,344	170,489	1,674,383	61,526	200,573	-	372,988	-	124,299	22,543,602
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	12,002,477	34,611	861,267	40,594	70,538	-	-	-	-	13,009,487
Opening restated	12,002,477	34,611	861,267	40,594	70,538	-	-	-	-	13,009,487
Add:										
Current period Amortization	541,000	6,820	163,040	8,000	36,399	-	-	-		755,259
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	12,543,477	41,431	1,024,307	48,594	106,937	-	-	-	-	13,764,746
Net Tangible Capital Asset	7,395,867	129,058	650,076	12,932	93,636	-	372,988	-	124,299	8,778,856
Proceeds from Sale of Capital Assets	-	-	2,795	-	-	-	-			2,795

* Includes network infrastructure.

PARK WEST SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $2,022,118 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $124,999 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ 54,318	$ 51,105	$ 3,213
Donated Capital Assets	-	-	-	-
Education Property Tax Credit	458,628	537,678	458,628	537,678
	$ 458,628	$ 591,996	$ 509,733	$ 540,891

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2017. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 11.625%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 651,429	$ 553,981	$ 1,205,410
2009	689,168	494,977	1,184,145
2010	488,210	432,637	920,847
2011	499,596	394,143	893,739
2012	492,595	355,223	847,818
	$ 2,820,998	$ 2,230,961	$ 5,051,959

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase a school bus garage.

School bus garage loan bears 7.5% interest per annum, due in 2010 and a yearly payment of $14,569 principal and interest. This loan is secured by way of borrowing resolution.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 11,714	$ 2,854	$ 14,568
2009	12,593	1,976	14,569
2010	13,756	1,032	14,787
2011	-	-	-
2012	-	-	-
	$ 38,063	$ 5,862	$ 43,924

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 22,543,602	$ 13,764,746	$ 8,778,856
Capital lease	-	-	-
	$ 22,543,602	$ 13,764,746	$ 8,778,856

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	240,000
Undesignated Surplus	1,778,054
	2,018,054
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	762,916
	762,916
Special Purpose Fund	
School Generated Funds	228,901
Other Special Purpose Funds	-
	-
Total Accumulated Surplus	$ 3,009,871

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	240,000
School budget carryovers by board policy	-
Designated surplus	$ 240,000

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	-
Other reserves	-
Capital Reserve	$ -

School Generated Funds are externally restricted moneys for school use.

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,935,475)
Equity in Tangible Capital Assets	(13,009,487)
	(18,944,962)
Special Purpose Fund	
School Generated Funds	199,574
Other Special Purpose Funds	-
	199,574
Total Restatement of Opening Accumulated Surplus	$ (18,745,388)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44.4% from 2006 tax year and 55.6% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 5,656,009	$ 5,076,771
Receivable-Due from Municipal-Property Tax	$ 3,100,891	$ 2,815,568

13. Interest Received and Paid

The Division received interest during the year of $21,002 (previous year $27,791); interest paid during the year was $867,435(previous year $699,153).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 48,341
Capital Fund	
Debenture debt interest	815,422
Other interest	3,672
	$ 867,435

The accrual portion of debenture debt interest expense of $200,863 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 12,214,114	$ 12,369,770	$ 12,494,123
Employees benefits & allowances	883,534	861,828	964,564
Services	2,566,270	2,683,461	2,690,267
Supplies, materials & minor equipment	1,466,245	1,469,996	1,528,214
Interest	867,435	50,000	699,153
Transfers	92,824	-	79,950
Payroll tax	265,530	265,000	283,131
Amortization	755,259	-	-
Other capital items	(2,795)	-	-
School generated funds	854,526	-	-
Other special purpose funds	-	-	-
	$ 19,962,942	$ 17,700,055	$ 18,739,402

15. Contractual Obligations

Agreements respecting student transportation and contract cleaning were entered into. The specific costs for student transportation services are approximately $825,000 for 2007-08.

The specific costs for contract cleaning services are approximately $234,482 for 2007-08.

16. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $436,773 (2006 - $411,251). These amounts are not included in the Division's consolidated financial statements.

PEMBINA TRAILS SCHOOL DIVISION
MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pembina Trails School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chair

Secretary-Treasurer

October 25, 2007

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report
To The Board of Trustees of

Pembina Trails School Division

We have audited the consolidated statement of financial position of the **Pembina Trails School Division** as at June 30, 2007, and the consolidated statements of revenues, expenses and accumulated surplus, change in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principles as established by the Public Sector Accounting Board.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Our examination did not include the budget figures and we do not express any opinion concerning them.

The comparative figures, as described in Note 2, have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education, the prescribed method of accounting that was followed prior to the implementation of generally accepted accounting principles as established by the Public Sector Accounting Board (PSAB).

Grant Thornton LLP

Winnipeg, Canada
October 10, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	7,598,274	1,207,232
	Short Term Investments	-	49,325
	Due from - Provincial Government	2,357,723	1,574,759
	- Federal Government	237,823	177,570
13	- Municipal Government	30,218,279	30,504,695
	- Other School Divisions	143,513	47,201
	- First Nations	-	-
	Accounts Receivable	356,855	770,384
	Accrued Investment Income	-	-
	Other Investments	-	
		40,912,467	34,331,166
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	3,874,932	2,704,425
	Accrued Liabilities	1,335,121	1,417,220
5	Employee Future Benefits	721,719	-
8	Accrued Interest Payable	666,684	-
	Due to - Provincial Government	489,504	463,423
	- Federal Government	5,678,689	5,223,948
	- Municipal Government	33,017	37,186
	- Other School Divisions	92,925	78,695
	- First Nations	-	-
6	Deferred Revenue	6,532,447	4,761,335
8	Debenture Debt	21,011,290	22,196,712
9	Other Borrowings	14,936,889	13,384,475
7	School Generated Funds Liability	909,867	
		56,283,084	50,267,419
	Net Debt	[illegible]	[illegible]
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	40,056,953	95,578,968
	Inventories	-	-
	Prepaid Expenses	545,484	433,965
		40,602,437	96,012,933
11	**Accumulated Surplus**	25,231,820	80,076,680

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	68,076,242	65,293,394
	Federal Government	13,230	25,838
	Municipal Government - Property Tax	51,747,990	50,885,221
	- Other	-	-
	Other School Divisions	693,368	709,460
	First Nations	-	31,612
	Private Organizations and Individuals	2,049,928	1,975,643
	Other Sources	949,884	936,140
3(f)	School Generated Funds	1,139,894	
	Other Special Purpose Funds	-	
		124,670,536	119,857,308
	Expenses		
	Regular Instruction	68,855,110	66,680,292
	Student Support Services	22,071,209	19,231,547
	Adult Learning Centres	-	-
	Community Education and Services	567,894	510,682
	Divisional Administration	3,834,296	3,483,149
	Instructional and Other Support Services	5,177,542	7,350,885
	Transportation of Pupils	1,604,201	1,550,604
	Operations and Maintenance	11,564,704	11,228,402
	Fiscal - Interest	2,017,355	2,103,863
	- Other	1,945,474	1,948,317
3(d)	Amortization	2,743,071	
	Other Capital Items	16,804	34,723
3(f)	School Generated Funds	1,167,048	
	Other Special Purpose Funds	-	
		121,564,708	114,122,464
	Current Year Surplus (Deficit)	3,105,828	5,734,844
	Opening Accumulated Surplus	80,076,680	74,341,836
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(57,086,147)	
	Other than Tangible Cap. Assets	(864,541)	0
	Opening Accumulated Surplus, as restated	22,125,992	74,341,836
	Closing Accumulated Surplus	25,231,820	80,076,680

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	3,105,828
Amortization of Tangible Capital Assets	2,743,071
Acquisition of Tangible Capital Assets	(4,307,203)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(1,564,132)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	1,430,177
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	3,105,828
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	2,743,071
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	721,719
Short Term Investments (Increase)/Decrease	49,325
Due from Other Organizations (Increase)/Decrease	[illegible]
Accounts Receivable & Accrued Income (Increase)/Decrease	413,529
Inventories and Prepaid Expenses - (Increase)/Decrease	[illegible]
Due to Other Organizations Increase/(Decrease)	490,883
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,755,092
Deferred Revenue Increase/(Decrease)	1,771,112
School Generated Funds Liability Increase/(Decrease)	909,867
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	10,331,253
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	1,552,414
Cash Provided by (Applied to) Financing Transactions	366,992
Cash and Bank / Overdraft (Increase)/Decrease	6,391,042
Cash and Bank (Overdraft) at Beginning of Year	1,207,232
Cash and Bank (Overdraft) at End of Year	7,598,274

Pembina Trails School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	71,432,112	4,854,587	2,218,136	353,196	8,478,432	-	8,242,505	-	-	95,578,968
Restatements	(5,161,060)	173,637	(299,913)	(164,643)	(4,273,610)	722,174	(5,467,337)	77,178	1,352,596	(13,040,978)
Opening Cost restated	66,271,052	5,028,224	1,918,223	188,553	4,204,822	722,174	2,775,168	77,178	1,352,596	82,537,990
Add:										
Additions during the year	3,515,667	-	790,381	85,790	470,500	324,128	-	96,824	(976,087)	4,307,203
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	69,786,719	5,028,224	2,708,604	274,343	4,675,322	1,046,302	2,775,168	174,002	376,509	86,845,193
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	40,503,093	2,212,209	462,990	113,665	471,256	249,850	-	32,106	-	44,045,169
Opening restated	40,503,093	2,212,209	462,990	113,665	471,256	249,850	-	32,106	-	44,045,169
Add:										
Current period Amortization	1,610,899	117,964	228,222	43,942	516,195	213,290	-	12,559		2,743,071
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	42,113,992	2,330,173	691,212	157,607	987,451	463,140	-	44,665	-	46,788,240
Net Tangible Capital Asset	27,672,727	2,698,051	2,017,392	116,736	3,687,871	583,162	2,775,168	129,337	376,509	40,056,953
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

PEMBINA TRAILS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Pembina Trails School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded by grants from the Province of Manitoba (Province) and by special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Comparative Figures and Conversion to PSAB Standards

The Division has adopted generally accepted accounting principles as established by Public Sector Accounting Board (PSAB) during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus. Capital lease liability was established for the obligation associated with the leased capital assets. Deferred revenue was restated to include deferred revenue related to donated capital assets.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. InForm Net has been consolidated into the Operating Fund as a related entity. The Special Purpose Fund was created to include school generated funds controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds, and the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - brick, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School Buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms

that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

e) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements. However, the Division provides retirement and other future benefits to its employees. These benefits include the MAST Pension Plan, Maternity Leave and Vacation Days. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan – MAST Pension Plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Defined employee future benefit plans – Maternity Leave

For benefit obligations that are event driven (non-vesting maternity leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Defined employee future benefit plans – Accumulated Vacation Days

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

f) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Overdraft

The Division has an authorized line of credit with Royal Bank of Canada of $30,000,000 by way of overdrafts and is repayable on demand at the Bank's Prime Interest Rate minus 0.75%. Overdrafts are secured by a borrowing by-law document.

5. Employee Future Benefits

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	Type of Plan	2007
MAST Pension Plan	Defined Contribution	$ -
Maternity Leave	Defined Benefit - Event Driven	12,479
Accumulated Vacation Days	Defined Benefit - Vesting	709,240
		$ 721,719

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. Included in the Addition/ Restatement column is an adjustment of $299,413 related to the restatement of opening accumulated surplus for donated capital assets. The following is a breakdown of the account balance:

	June 30, 2006	Additions/ Restatement	Recognized	June 30, 2007
Education Property Tax Credit	$ 4,303,962	$ 5,697,423	$ 4,303,962	$ 5,697,423
International Student Program Fees	205,981	198,210	205,981	198,210
Fibre Access Agreements	-	29,867	-	29,867
Externally Funded Programs	251,392	289,218	251,392	289,218
Donated Capital Assets		373,094	55,365	317,729
	$ 4,761,335	**$ 6,587,812**	**$ 4,816,700**	**$ 6,532,447**

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $909,867. The following is a breakdown of the account balance:

	2007
Student Fees - Activities, Clubs, Trips	$ 346,492
Student - Fees, Yearbooks, Agendas	264,486
Specific Purpose Fund Raising	126,880
Breakfast and Lunch Programs	110,348
Scholarship Funds	54,508
Parent/ Student Council Funds, Other	7,153
	$ 909,867

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable in twenty equal yearly installments of principal and interest and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 12.25%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2007/08	$ 2,217,345	$ 1,581,016	$ 3,798,361
2008/09	2,157,252	1,372,191	3,529,443
2009/10	2,037,102	1,173,164	3,210,266
2010/11	1,759,098	990,281	2,749,379
2011/12	1,510,698	842,872	$ 2,353,570
	$ 9,681,495	**$ 5,959,524**	**$ 15,641,019**

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. The following borrowings include contractual obligations related to capital leases.

	2007
Vehicle Leases	169,816
Equipment Leases (Copiers)	405,453
	$ 575,269

Capital lease loans on vehicles and equipment have interest rates ranging from 4.5% to 7.3% per annum, due between 2007 to 2011 all with annual payments of principal and interest. These loans are secured by the related assets. Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2007/08	$ 190,817	$ 19,252	$ 210,069
2008/09	190,817	19,252	210,069
2009/10	176,477	18,700	195,177
2010/11	17,158	2,048	19,206
2011/12	-	-	-
	$ 575,269	**$ 59,252**	**$ 634,521**

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown between owned and leased assets is as follows:

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned Tangible Capital Assets	$ 85,874,155	$ 46,430,916	$ 39,443,239
Leased Tangible Capital Assets	971,038	357,324	613,714
	$ 86,845,193	**$ 46,788,240**	**$ 40,056,953**

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 1,084,084
Undesignated Surplus	4,554,864
	$ 5,638,948
Related Entities	
Pembina Trails Education Support Fund	$ 142,933
Pembina Trails Voices	$ 70,503
InForm Net	697
	$ 214,133
Capital Fund	
Reserve Accounts	$ 1,236,486
Equity in Tangible Capital Assets	17,745,721
	$ 18,982,207
Special Purpose Fund	
School Generated Funds	$ 396,532
Other Special Purpose Funds	-
	$ 396,532
Total Accumulated Surplus	**$ 25,231,820**

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the financial statements for a breakdown of the Designated Surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating fund.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the financial statements.

School Generated Funds are externally restricted moneys for school use.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Opening Accumulated Surplus	$ 80,076,680
Operating Fund	
Consolidation of InForm Net	**$ (21,558)**
Capital Fund	
Capital Lease Liability	$ (967,256)
Deferred Revenue for Donated Assets	(299,413)
Tangible Capital Assets	(13,040,978)
Accumulated Amortization	(44,045,169)
	$ (58,352,816)
Special Purpose Fund	
School Generated Funds	**$ 423,686**
Restatement of Opening Accumulated Surplus	**$ 22,125,992**

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue - Municipal Government Property Tax	$ 51,747,990	$ 50,885,221
Receivable - Due from Municipal Government Property Tax	$ 30,212,718	$ 30,491,794

14. Interest Received and Paid

The Division received interest during the year of $436,601 (previous year $331,919); interest paid during the year was $2,006,991 (previous year $2,098,045).

15. Contractual Obligations

The Division has an agreement with King Transportation for student transportation services for a term of 5 years ending in June 2011. The specific costs for these services are approximately $353,000 for 2007/08.

16. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. The special levy for 2007 was $423,488 (2006 - $268,870). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pine Creek School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 27, 2007

MEYERS NORRIS PENNY...

AUDITOR'S REPORT

(In accordance with subsection 41(3.1) of the Public Schools Act)

To the Board of Trustees
Pine Creek School Division

We have audited the consolidated statement of financial position of the Pine Creek School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Brandon, Manitoba
September 27, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	319,743	1,092,500
	Short Term Investments	-	-
	Due from - Provincial Government	312,780	129,711
	- Federal Government	63,450	44,535
	- Municipal Government	1,518,689	1,515,803
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	18,333	34,216
	Accrued Investment Income	-	-
	Other Investments	-	
		2,232,995	2,816,765
	Liabilities		
	Overdraft	-	-
	Accounts Payable	30,746	16,098
	Accrued Liabilities	651,573	667,697
	Employee Future Benefits	-	-
	Accrued Interest Payable	75,436	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	333,182	294,401
7	Debenture Debt	2,383,347	2,598,908
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		3,474,284	3,577,104
	Net Debt		
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	4,404,272	14,349,135
	Inventories	-	-
	Prepaid Expenses	102,115	40,380
		4,506,387	14,389,515
9	**Accumulated Surplus**	3,265,098	13,629,176

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	8,002,714	7,805,980
	Federal Government	899	882
	Municipal Government - Property Tax	3,125,430	3,048,972
	- Other	-	-
	Other School Divisions	47,445	47,643
	First Nations	-	15,625
	Private Organizations and Individuals	25,540	28,464
	Other Sources	92,330	70,175
	School Generated Funds	252,689	
	Other Special Purpose Funds	-	
		11,547,047	11,017,741
	Expenses		
	Regular Instruction	6,765,217	6,282,643
	Student Support Services	1,274,910	1,066,330
	Adult Learning Centres	-	-
	Community Education and Services	12,226	9,538
	Divisional Administration	443,969	390,340
	Instructional and Other Support Services	331,863	409,434
	Transportation of Pupils	1,038,094	970,321
	Operations and Maintenance	1,219,515	1,099,197
12	Fiscal - Interest	261,560	202,813
	- Other	174,249	166,741
	Amortization	479,181	
	Other Capital Items	-	-
	School Generated Funds	250,436	
	Other Special Purpose Funds	-	
		12,251,220	10,597,357
	Current Year Surplus (Deficit)	(704,173)	420,384
	Opening Accumulated Surplus	13,629,176	13,208,792
	Restatements: Tangible Cap. Assets and Accum. Amort.	(9,750,303)	
10	Other than Tangible Cap. Assets	90,398	0
	Opening Accumulated Surplus, as restated	3,969,271	13,208,792
	Closing Accumulated Surplus	3,265,098	13,629,176

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(704,173)
Amortization of Tangible Capital Assets	479,181
Acquisition of Tangible Capital Assets	(284,621)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	194,560
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	90,398
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(704,173)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	479,181
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(204,870)
Accounts Receivable & Accrued Income (Increase)/Decrease	15,883
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,725)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	73,960
Deferred Revenue Increase/(Decrease)	38,781
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	90,398
Cash Provided by Operating Transactions	(211,565)
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(3,837)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(215,561)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(215,561)
Cash and Bank / Overdraft (Increase)/Decrease	(772,757)
Cash and Bank (Overdraft) at Beginning of Year	1,092,500
Cash and Bank (Overdraft) at End of Year	319,743

Pine Creek School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	10,892,979	376,485	2,243,379	75,625	753,077	-	7,590	-	-	14,349,135
Restatements	(1,431,601)	18,754	(421,551)	3,295	(704,071)	17,709	67,744	-	-	(2,449,721)
Opening Cost restated	9,461,378	395,239	1,821,828	78,920	49,006	17,709	75,334	-	-	11,899,414
Add:										
Additions during the year	-	-	242,766	-	41,855	-	-	-	-	284,621
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,461,378	395,239	2,064,594	78,920	90,861	17,709	75,334	-	-	12,184,035
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,961,442	178,128	1,098,959	33,428	21,984	6,641	-	-	-	7,300,582
Opening restated	5,961,442	178,128	1,098,959	33,428	21,984	6,641	-	-	-	7,300,582
Add:										
Current period Amortization	266,711	14,282	169,275	12,592	11,894	4,427	-	-		479,181
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,228,153	192,410	1,268,234	46,020	33,878	11,068	-	-	-	7,779,763
Net Tangible Capital Asset	3,233,225	202,829	796,360	32,900	56,983	6,641	75,334	-	-	4,404,272
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

PINE CREEK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Pine Creek School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Pine Creek School Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Austin Credit Union of $3,500,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ 4,860	$ 36,915	$ 41,775	$ 0
Education Property Tax Credit	$282,541	$333,182	$282,541	$333,182
International Tuition	$ 7,000	$ 0	$ 7,000	$ 0
Donated Capital Assets	$ 0	$ 0	$ 0	$ 0
Other special purpose funds	$ 0	$ 0	$ 0	$ 0
	$294,401	$370,097	$282,541	$333,182

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2024. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.75% to 12.25%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$206,696	$165,356	$372,052
2009	$148,458	$146,715	$295,173
2010	$143,521	$134,786	$278,307
2011	$138,050	$123,788	$261,383
2012	$137,079	$113,734	$250,813
	$773,804	$684,379	$1,458,183

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0 (previous year $0).

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$12,184,035	$7,779,763	$4,404,272

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 214,319
Undesignated Surplus	$ 529,700
	$ 744,019
Capital Fund	
Reserve Accounts	$ 407,503
Equity in Tangible Capital Assets	$2,020,925
	$2,428,428
Special Purpose Fund	
School Generated Funds	$ 92,651
Other Special Purpose Funds	$ 0
	$ 92,651
Total Accumulated Surplus	$ 3,265,098

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	$148,200
School budget carryovers by board policy	$ 66,119
Designated surplus	$214,319

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	$407,503
Other reserves	$ 0
Capital Reserve	$407,503

10. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ 0
Capital Fund	
Tangible Capital Assets	($2,449,721)
Accumulated Amortization	($7,300,582)
	($9,750,303)
Special Purpose Fund	
School Generated Funds	$ 90,398
Other Special Purpose Funds	$ 0
	$ 90,398
	($9,659,905)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50.5% from 2006 tax year and 49.5% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$3,125,430	$3,048,972
Receivable-Due from Municipal-Property Tax	$1,518,689	$1,515,803

12. Interest Received and Paid

The Division received interest during the year of $51,450 (previous year $51,537); interest paid during the year was $261,560 (previous year $202,813).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 1,229
Capital fund	
Debenture debt interest	$260,331
Other interest	$ 0
	$261,560

The accrual portion of debenture debt interest expense of $75,436 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 8,005,407	$ 7,866,013	$ 7,741,707
Employees benefits & allowances	$ 618,800	$ 576,669	$ 557,341
Services	$ 1,068,344	$ 1,102,020	$ 862,424
Supplies, materials & minor equipment	$ 1,358,447	$ 953,501	$ 1,032,863
Interest	$ 261,560	$ 5,000	$ 202,813
Bad debts	$ 0	$ 0	$ 0
Payroll tax and transfers	$ 209,045	$ 198,562	$ 200,209
Amortization	$ 479,181	$ 0	$ 0
Other capital items	$ 0	$ 0	$ 0
School generated funds	$ 250,436	$ 0	$ 0
Other special purpose funds	$ 0	$ 0	$ 0
	$12,251,220	$10,701,765	$10,597,357

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Portage la Prairie School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 26, 2007

MEYERS NORRIS PENNY LLP

Auditors' Report

To the Chairman and Members of the Board
Portage la Prairie School Division
Portage la Prairie, Manitoba

We have audited the consolidated statement of financial position, and the consolidated statement of revenues, expenditures and accumulated surplus, the consolidated statement of change in net debt, the consolidated statement of cash flow and the supporting schedules of the Operating, Capital and Special Purpose Funds of **THE PORTAGE LA PRAIRIE SCHOOL DIVISION** as at June 30, 2007. These financial statements have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
September 26, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	80,647	74,454
	Due from - Provincial Government	693,614	450,630
	- Federal Government	144,013	75,119
	- Municipal Government	4,627,583	4,835,226
	- Other School Divisions	-	-
	- First Nations	190,077	-
	Accounts Receivable	-	97,741
	Accrued Investment Income	-	-
	Other Investments	-	
		5,735,934	5,533,170
	Liabilities		
*	Overdraft	3,044,647	622,236
	Accounts Payable	419,480	426,807
	Accrued Liabilities	3,017,390	2,531,623
	Employee Future Benefits	-	-
	Accrued Interest Payable	208,953	-
	Due to - Provincial Government	-	-
	- Federal Government	342,672	346,541
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,157,427	943,393
*	Debenture Debt	6,782,513	7,216,695
	Other Borrowings	-	40,000
	School Generated Funds Liability	22,888	
		14,995,970	12,127,295
	Net Debt	(9,260,036)	(6,594,125)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	15,420,343	25,419,731
	Inventories	101,160	98,554
	Prepaid Expenses	27,472	32,735
		15,548,975	25,551,020
*	**Accumulated Surplus**	6,288,939	18,956,895

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	19,629,798	18,594,005
	Federal Government	26,782	7,286
	Municipal Government - Property Tax	9,191,572	9,168,508
	- Other	-	-
	Other School Divisions	20,446	21,746
	First Nations	893,205	703,155
	Private Organizations and Individuals	38,572	28,566
	Other Sources	109,117	96,379
	School Generated Funds	1,149,139	
	Other Special Purpose Funds	-	
		31,058,631	28,619,645
	Expenses		
	Regular Instruction	15,986,904	15,897,577
	Student Support Services	5,012,672	4,341,001
	Adult Learning Centres	526,725	407,327
	Community Education and Services	32,656	37,152
	Divisional Administration	830,120	768,135
	Instructional and Other Support Services	905,916	1,422,374
	Transportation of Pupils	864,465	807,758
	Operations and Maintenance	3,423,186	3,274,272
*	Fiscal - Interest	818,337	557,561
	- Other	460,781	476,191
	Amortization	868,875	
	Other Capital Items	-	77,747
	School Generated Funds	1,019,326	
	Other Special Purpose Funds	-	
		30,749,963	28,067,095
	Current Year Surplus (Deficit)	308,668	552,550
	Opening Accumulated Surplus	18,956,895	18,404,345
	Restatements: Tangible Cap. Assets and Accum. Amort.	(13,139,304)	
*	School generated funds	162,680	0
	Opening Accumulated Surplus, as restated	5,980,271	18,404,345
	Closing Accumulated Surplus	6,288,939	18,956,895

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	308,668
Amortization of Tangible Capital Assets	868,875
Acquisition of Tangible Capital Assets	(4,006,791)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(3,129,248)
Inventories (Increase)/Decrease	2,000
Prepaid Expenses (Increase)/Decrease	5,263
	2,657
(Increase)/Decrease in Net Debt	(2,817,923)
Net Debt at Beginning of Year	(15,966,126)
School generated funds	162,680
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	308,668
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	868,875
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	97,741
Inventories and Prepaid Expenses - (Increase)/Decrease	2,657
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	687,393
Deferred Revenue Increase/(Decrease)	214,034
School Generated Funds Liability Increase/(Decrease)	22,888
Restatements Other than Tangible Cap. Assets	162,680
Cash Provided by Operating Transactions	2,060,562
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Portage La Prairie School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,532,912	465,900	1,826,086	73,174	1,131,851	-	389,808	-	-	25,419,731
Restatements	4,302,985	(127,863)	(444,894)	(48,174)	(890,219)	-	127,629	-	-	2,919,464
Opening Cost restated	25,835,897	338,037	1,381,192	25,000	241,632	-	517,437	-	-	28,339,195
Add:										
Additions during the year		-	83,832	-		-	-	-	3,924,959	4,008,791
Less:										
Disposals and write downs	-	-	-	-		-	-	-	-	-
Closing Cost	25,835,897	338,037	1,465,024	25,000	241,632	-	517,437	-	3,924,959	32,347,986
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	14,955,030	306,251	724,290	12,300	60,897	-	-	-	-	16,058,768
Opening restated	14,955,030	306,251	724,290	12,300	60,897	-	-	-	-	16,058,768
Add:										
Current period Amortization	673,183	7,064	138,119	5,000	45,509	-	-	-		868,875
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	15,628,213	313,315	862,409	17,300	106,406	-	-	-	-	16,927,643
Net Tangible Capital Asset	10,207,684	24,722	602,615	7,700	135,226	-	517,437	-	3,924,959	15,420,343
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

PORTAGE LA PRAIRIE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

3. Significant Accounting Policies (Continued)

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of

3. Significant Accounting Policies (Continued)

uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life
	($)	(years)
Land improvements	25,000	10
Buildings – brick, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate

3. Significant Accounting Policies (Continued)

used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

3. Significant Accounting Policies (Continued)

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized a line of credit with the Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .6%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $3,815,439 which will be submitted to PSFB for debenture funding. Overdrafts are secured by line of credit agreement.

6. Short Term Investments

Short term investments consist of a patronage equity account. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $80,647 (last year $74,454); investment income earned during the year was $10,202 (last year $3,827).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$68,612	$178,373	$189,365	$57,620
Education Property Tax Credit Advance	874,781	2,005,774	1,780,748	1,099,807
	$943,393	$2,184,147	$1,970,113	$1,157,427

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $22,888.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2025. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 11.625%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$445,000	$531,000	$976,000
2009	$596,000	$380,000	$976,000
2010	$469,000	$387,000	$856,000
2011	$497,000	$351,000	$848,000
2012	$531,000	$311,000	$842,000
	$2,438,000	$1,960,000	$4,498,000

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$32,347,986	$16,927,643	$15,420,343

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Undesignated Surplus	$1,093,408
Capital Fund	
Equity in Tangible Capital Assets	4,903,038
Special Purpose Fund	
School Generated Funds	292,493
Total Accumulated Surplus	$6,288,939

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	$2,919,464
Accumulated Amortization	(16,058,768)
	(13,139,304)
Special Purpose Fund	
School Generated Funds	162,680
Total Restatement of Opening Accumulated Surplus	($12,976,624)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 52% from 2006 tax year and 48% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue- Municipal Government-Property Tax	$9,191,572	$9,168,508
Revenue-Due from Municipal-Property tax	$4,627,583	$4,835,226

14. Interest Received and Paid

The Division received interest during the year of $6,377 (previous year $13,138); interest paid during the year was $818,337 (previous year $557,561).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$91,790
Capital Fund	
Debenture debt interest	726,547
	$818,337

The accrual portion of debenture debt interest expense of $208,953 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

PRAIRIE ROSE SCHOOL DIVISION

Box 450 45 Main Street S. Carman MB R0G 0J0

MANAGEMENT REPORT

PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of *Prairie Rose School Division* are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note #3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson **Secretary-Treasurer**

November 19, 2007

Collins Barrow
Chartered Accountants

401 Century Plaza
One Wesley Avenue
Winnipeg, Manitoba
R3C 4C6

T. 204.942.0221
F. 204.944.8371

Auditors' Report

To the Chairperson and Trustees
Prairie Rose School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Rose School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the Special Purpose Fund was limited to the amounts recorded by the Division and we are not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
October 31, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	1,798,609	999,244
*	Short Term Investments	11,740	-
	Due from - Provincial Government	484,498	326,983
	- Federal Government	86,202	50,237
	- Municipal Government	4,137,262	4,293,716
	- Other School Divisions	17,000	18,500
	- First Nations	-	-
	Accounts Receivable	72,234	13,980
	Accrued Investment Income	-	-
	Other Investments	-	
		6,607,545	5,702,660
	Liabilities		
	Overdraft	-	-
	Accounts Payable	2,029,906	1,345,981
	Accrued Liabilities	1,939,506	1,567,891
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	310,924	332,931
*	Debenture Debt	7,324,064	6,810,340
	Other Borrowings	-	-
	School Generated Funds Liability	30,848	
		11,635,248	10,057,143
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	8,631,248	23,963,852
	Inventories	-	-
	Prepaid Expenses	26,332	24,492
		8,657,580	23,988,344
*	**Accumulated Surplus**	3,629,877	19,633,861

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	14,173,042	13,770,725
	Federal Government	19,590	-
	Municipal Government - Property Tax	7,471,746	7,415,473
	- Other	1,680	1,640
	Other School Divisions	102,769	114,437
	First Nations	3,762	-
	Private Organizations and Individuals	69,098	15,149
	Other Sources	137,706	100,348
	School Generated Funds	388,201	
	Other Special Purpose Funds	3,148	
		22,370,742	21,417,772
	Expenses		
	Regular Instruction	12,316,830	12,016,999
	Student Support Services	2,506,968	2,211,130
	Adult Learning Centres	230,975	238,606
	Community Education and Services	25,073	11,032
	Divisional Administration	797,240	742,916
	Instructional and Other Support Services	401,874	516,818
	Transportation of Pupils	1,566,604	1,535,624
	Operations and Maintenance	2,178,150	2,093,214
*	Fiscal - Interest	829,854	558,309
	- Other	317,383	321,545
	Amortization	680,050	
	Other Capital Items	112,462	75,213
	School Generated Funds	388,891	
	Other Special Purpose Funds	7,532	
		22,359,886	20,321,406
	Current Year Surplus (Deficit)	10,856	1,096,366
	Opening Accumulated Surplus	19,633,861	18,537,495
	Restatements: Tangible Cap. Assets and Accum. Amort.	(16,107,255)	
*	Other than Tangible Cap. Assets	92,415	0
	Opening Accumulated Surplus, as restated	3,619,021	18,537,495
	Closing Accumulated Surplus	3,629,877	19,633,861

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	10,856
Amortization of Tangible Capital Assets	680,050
Acquisition of Tangible Capital Assets	(1,567,663)
(Gain) / Loss on Sale of Tangible Capital Assets	112,462
Proceeds on Sale of Tangible Capital Assets	500
	(774,651)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(1,840)
	(1,840)
(Increase)/Decrease in Net Debt	(763,635)
Net Debt at Beginning of Year	(1,944,050)
Restatements Other than Tangible Cap. Assets	92,415
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	10,856
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	680,050
(Gain)/Loss on Disposal of Tangible Capital Assets	112,462
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,055,540
Deferred Revenue Increase/(Decrease)	
School Generated Funds Liability Increase/(Decrease)	30,848
Restatements Other than Tangible Cap. Assets	92,415
Cash Provided by Operating Transactions	1,852,804
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	500
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	513,724
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	513,724
Cash and Bank / Overdraft (Increase)/Decrease	799,365
Cash and Bank (Overdraft) at Beginning of Year	999,244
Cash and Bank (Overdraft) at End of Year	1,798,609

Prairie Rose School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,476,815	669,605	3,329,703	63,826	1,351,208	-	72,695	-	-	23,963,852
Restatements	(2,711,785)	157,874	-	3,501	(1,260,900)	-	41,717	-	237,048	(3,532,545)
Opening Cost restated	15,765,030	827,479	3,329,703	67,327	90,308	-	114,412	-	237,048	20,431,307
Add:										
Additions during the year	1,428,150	-	256,687	31,992	-	-	-	-	(149,166)	1,567,663
Less:										
Disposals and write downs	-	-	112,962	-	-	-	-	-	-	112,962
Closing Cost	17,193,180	827,479	3,473,428	99,319	90,308	-	114,412	-	87,882	21,886,008
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	10,099,535	380,410	1,992,979	37,268	64,518	-	-	-	-	12,574,710
Opening restated	10,099,535	380,410	1,992,979	37,268	64,518	-	-	-	-	12,574,710
Add:										
Current period Amortization	420,384	13,637	222,792	13,997	9,240	-	-	-		680,050
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	10,519,919	394,047	2,215,771	51,265	73,758	-	-	-	-	13,254,760
Net Tangible Capital Asset	6,673,261	433,432	1,257,657	48,054	16,550	-	114,412	-	87,882	8,631,248
Proceeds from Sale of Capital Assets	-	-	500	-	-	-	-			500

* Includes network infrastructure.

PRAIRIE ROSE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Prairie Rose Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and

measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

e) Tangible Capital Assets - continued

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

i. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

ii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The Division applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with The Dufferin Credit Union Limited of $3,900,000 by way of overdrafts and is repayable on demand at 5.5%; interest is paid monthly. $3,900,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $271.

7. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $19,107.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

2008	$1,060,171
2009	1,048,532
2010	1,041,063
2011	1,031,670
2012	1,019,629
	$5,201,065

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$25,476,426	$11,030,497	$14,445,929
Capital lease	-	-	-
	$25,476,426	$11,030,497	$14,445,929

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 1,775,864	$ 1,888,113
Undesignated Surplus	-	551,000
	1,775,864	2,439,113
Capital Fund		
Reserve Accounts	834,745	168,171
Equity in Tangible Capital Assets	931,927	17,026,577
	1,766,672	17,194,748
Special Purpose Fund		
School Generated Funds	88,325	
Other Special Purpose Funds	11,909	
	100,234	-
Total Accumulated Surplus	$ 3,642,770	$19,633,861

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(3,532,545)
Accumulated Amortization	(12,574,710)
	(16,107,255)
Special Purpose Fund	
School Generated Funds	85,514
Other Special Purpose Funds	16,292
	101,806
Total Restatement of Operating Accumulated Surplus	$(16,005,449)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 42% from 2006 tax year and 58% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$7,471,746	$7,415,473
Receivable-Due from Municipal-Property Tax	$4,137,262	$4,293,716

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2007, the amount of this special levy was $290,955 (2006: $285,952). These amounts are not included in the Division's financial statements.

14. Interest Received and Paid

The Division received interest during the year of $97,836 (previous year $83,454); interest paid during the year was $829,854 (previous year $558,309).

Interest expense is included in Fiscal and is comprised of the following:

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 74,507	$ 1,830
Capital Fund		
Debenture debt interest	755,347	556,479
	$ 829,854	$ 558,309

The accrual portion of debenture debt interest expense of $232,831 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$15,089,132	$15,477,255	$14,583,807
Employees benefits and allowances	1,133,282	1,134,795	1,042,207
Services	1,973,685	2,068,595	1,919,143
Supplies, materials and minor equipment	1,619,210	1,720,468	1,618,554
Interest	829,854	15,000	558,309
Bad debts	-	-	-
Payroll tax	317,383	332,000	321,545
Transfers	208,405	451,600	202,628
Amortization	680,050		
(Gain) and disposal of capital assets	112,462		75,213
School generated funds	352,425		
Other special purpose funds	7,532		
	$22,323,420	$21,199,713	$20,321,406

16. Budget Figures and Non Financial Information

The 2007 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Prairie Spirit School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division meets with management and the external auditors to discuss the financial reporting and internal control matters. The Board reviews the consolidated financial statements and recommends approval of the consolidated financial statements.

The consolidated financial statements have been audited by Virtus Group, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 11, 2007

Collins Barrow
Chartered Accountants

401 Century Plaza
One Wesley Avenue
Winnipeg, Manitoba
R3C 4C6

T. 204.942.0221
F. 204.944.8371
email: cb@collinsbarrow.com

Auditors' Report

To the Chairperson and Trustees
Prairie Spirit School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Spirit School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses and Accumulated Surplus, Consolidated Statement of Change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, certain revenues are not susceptible to satisfactory audit verification. Accordingly, our verification of such revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current year surplus (deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
October 11, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	315,714	244,366
	- Federal Government	102,558	98,387
0	- Municipal Government	4,521,498	4,833,170
	- Other School Divisions	-	-
	- First Nations	45,379	6,258
	Accounts Receivable	9,078	50,622
	Accrued Investment Income	-	-
	Other Investments	-	
		4,994,227	5,232,803
	Liabilities		
*	Overdraft	435,580	1,417,926
	Accounts Payable	1,596,115	1,717,221
	Accrued Liabilities	259,376	57,336
*	Employee Future Benefits	54,762	-
	Accrued Interest Payable	245,935	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
0	- Other School Divisions	-	555,901
	- First Nations	-	-
*	Deferred Revenue	616,883	25,883
*	Debenture Debt	7,462,629	7,979,699
	Other Borrowings	-	-
	School Generated Funds Liability	84,780	
		10,756,060	11,753,966
	Net Debt	(5,761,833)	(6,521,163)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	10,784,938	32,191,730
	Inventories	-	-
	Prepaid Expenses	15,146	-
		10,800,084	32,191,730
*	**Accumulated Surplus**	5,038,251	25,670,567

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	16,520,151	16,606,180
	Federal Government	10,473	6,800
	Municipal Government - Property Tax	8,029,040	7,424,932
	- Other	-	-
	Other School Divisions	29,250	29,900
	First Nations	228,100	249,183
	Private Organizations and Individuals	92,874	266,485
	Other Sources	123,619	66,471
	School Generated Funds	366,686	
	Other Special Purpose Funds	-	
		25,400,193	24,649,951
	Expenses		
	Regular Instruction	13,276,912	13,036,960
	Student Support Services	2,944,575	2,902,370
	Adult Learning Centres	-	-
	Community Education and Services	18,115	14,806
	Divisional Administration	933,388	711,120
	Instructional and Other Support Services	524,458	803,588
	Transportation of Pupils	1,970,005	2,015,514
	Operations and Maintenance	2,816,709	2,787,795
*	Fiscal - Interest	900,888	701,996
	- Other	351,042	352,094
	Amortization	995,022	
	Other Capital Items	89,140	98,053
	School Generated Funds	365,304	
	Other Special Purpose Funds	-	
		25,185,558	23,424,296
	Current Year Surplus (Deficit)	214,635	1,225,655
	Opening Accumulated Surplus	25,670,567	24,444,912
	Restatements: Tangible Cap. Assets and Accum. Amort.	(20,883,415)	
*	Other than Tangible Cap. Assets	36,464	0
	Opening Accumulated Surplus, as restated	4,823,616	24,444,912
	Closing Accumulated Surplus	5,038,251	25,670,567

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	214,635
Amortization of Tangible Capital Assets	995,022
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	89,140
Proceeds on Sale of Tangible Capital Assets	7,500
	523,377
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	722,866
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	36,464
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	214,635
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	995,022
(Gain)/Loss on Disposal of Tangible Capital Assets	89,140
Employee Future Benefits Increase/(Decrease)	54,762
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	197,032
Accounts Receivable & Accrued Income (Increase)/Decrease	41,544
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	326,869
Deferred Revenue Increase/(Decrease)	591,000
School Generated Funds Liability Increase/(Decrease)	84,780
Restatements Other than Tangible Cap. Assets	36,464
Cash Provided by Operating Transactions	2,060,201
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	7,500
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	982,346
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	24,363,793	77,310	5,725,932	83,631	1,860,253	-	80,811	-	-	32,191,730
Restatements	(2,233,634)	768,193	1	(83,631)	(1,678,292)	1,000,696	(24,006)	-	6,340	(2,244,333)
Opening Cost restated	22,130,159	845,503	5,725,933	-	181,961	1,000,696	56,805	-	6,340	29,947,397
Add:										
Additions during the year	12,669	-	324,377	-	5,962	-		-	225,277	568,285
Less:										
Disposals and write downs	-	-	96,640	-	-	-	-	-	-	96,640
Closing Cost	22,142,828	845,503	5,953,670	-	187,923	1,000,696	56,805	-	231,617	30,419,042
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	13,451,105	696,263	3,867,437	-	78,471	545,806	-	-	-	18,639,082
Opening restated	13,451,105	696,263	3,867,437	-	78,471	545,806	-	-	-	18,639,082
Add:										
Current period Amortization	523,131	13,475	337,362	-	20,984	100,070	-	-		995,022
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	13,974,236	709,738	4,204,799	-	99,455	645,876	-	-	-	19,634,104
Net Tangible Capital Asset	8,168,592	135,765	1,748,871	-	88,468	354,820	56,805	-	231,617	10,784,938
Proceeds from Sale of Capital Assets	3,100	-	4,400	-	-	-	-			7,500

* Includes network infrastructure.

PRAIRIE SPIRIT SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Prairie Spirit Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are

earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds.

iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable.

iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Caisse Populaire de St. Claude Ltd. of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; interest is paid monthly. $3,332,208 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include supplemental employment and sick leave benefits.

7. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $84,780.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.00% to 11.75%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

	Principal	Interest	Total
2008	$ 632,490	$ 535,113	$1,167,603
2009	662,577	479,151	1,141,728
2010	537,289	420,808	958,097
2011	449,673	377,323	826,996
2012	459,979	344,104	804,083
	$2,742,008	$2,156,499	$4,898,507

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$30,419,042	$19,634,104	$10,784,938
Capital lease	-	-	-
	$30,419,042	$19,634,104	$10,784,938

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 77,066	$ -
Undesignated Surplus	1,296,310	1,466,942
	1,373,376	1,466,942
Capital Fund		
Reserve Accounts	230,722	159,440
Equity in Tangible Capital Assets	3,290,421	24,044,185
	3,521,143	24,203,625
Special Purpose Fund		
School Generated Funds	143,732	
Other Special Purpose Funds	-	
	143,732	-
Total Accumulated Surplus	$ 5,038,251	$25,670,567

11. Accumulated Surplus (cont'd)

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$(105,886)
Capital Fund	
Tangible Capital Assets	(2,244,333)
Accumulated Amortization	(18,639,082)
	(20,883,415)
Special Purpose Fund	
School Generated Funds	142,350
Other Special Purpose Funds	-
	142,350
Total Restatement of Operating Accumulated Surplus	$(20,846,951)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

13. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2006 tax year and 57% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$8,029,040	$7,424,932
Receivable-Due from Municipal-Property Tax	$4,521,498	$4,833,170

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2007, the amount of this special levy was $572,484 (2006: $555,901). These amounts are not included in the Division's financial statements in 2007. For 2006, the Receivable-Due from Municipal-Property Tax included the $555,901 due for la Division Scolaire Franco-Manitobaine with the liability shown as Due to-Other School Divisions.

14. Interest Received and Paid

The Division received interest during the year of $37,339 (2006; $26,403); interest paid during the year was $900,888 (2006; $701,996).

Interest expense is included in Fiscal and is comprised of the following:

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 58,397	$ 42,804
Capital Fund		
Debenture debt interest	842,491	659,192
	$ 900,888	$ 701,996

The accrual portion of debenture debt interest expense of $245,935 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$16,254,685	$16,544,600	$16,291,647
Employees benefits and allowances	1,508,399	1,213,500	1,455,170
Services	2,627,426	2,401,700	2,554,334
Supplies, materials and minor equipment	1,947,342	1,903,100	1,830,783
Interest	900,888	30,000	701,996
Bad debts	-	-	-
Payroll tax	351,042	350,000	352,094
Transfers	146,310	132,000	140,219
Amortization	995,022		
Loss and disposal of capital assets	89,140		98,053
School generated funds	365,304		
Other special purpose funds	-	-	-
	$25,185,558	$22,574,900	$23,424,296

16. Budget Figures and Non Financial Information

The 2007 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

..ED RIVER VALLEY SCHOO_ DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE
233 Main Street, P.O. Box 400, Morris, MB R0G 1K0
Ph. 204.746.2317 • Fax 204.746.2785 • Email: centraloffice@rrvsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 13, 2007

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 C. am Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Red River Valley School Division

We have audited the consolidated statement of financial position of **The Red River Valley School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 13, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	542,440	481,093
	- Federal Government	74,532	102,985
	- Municipal Government	4,016,341	3,837,003
	- Other School Divisions	147,055	112,043
	- First Nations	-	-
	Accounts Receivable	48,874	135,685
	Accrued Investment Income	-	-
	Other Investments	-	
		4,829,242	4,668,809
	Liabilities		
5	Overdraft	227,319	759,021
	Accounts Payable	713,051	671,809
	Accrued Liabilities	-	133,411
6	Employee Future Benefits	140,740	-
15	Accrued Interest Payable	268,017	-
	Due to - Provincial Government	64,582	79,007
	- Federal Government	883,969	846,955
	- Municipal Government	29,223	29,453
	- Other School Divisions	474,375	370,738
	- First Nations	-	-
7	Deferred Revenue	552,180	430,547
9	Debenture Debt	8,771,523	9,375,549
10	Other Borrowings	338,474	398,178
8	School Generated Funds Liability	29,017	
		12,492,470	13,094,668
	Net Debt	(7,663,228)	(8,425,859)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	12,589,917	28,524,701
	Inventories	125,929	119,760
	Prepaid Expenses	50,699	9,143
		12,766,545	28,653,604
12	**Accumulated Surplus**	5,103,317	20,227,745

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	13,926,798	13,389,312
	Federal Government	21,177	16,042
	Municipal Government - Property Tax	7,056,339	6,310,127
	- Other	466	-
	Other School Divisions	548,440	528,184
	First Nations	55,727	22,530
	Private Organizations and Individuals	117,550	93,303
	Other Sources	58,460	68,412
	School Generated Funds	630,928	
	Other Special Purpose Funds	-	
		22,415,885	20,427,910
	Expenses		
	Regular Instruction	11,448,820	11,480,577
	Student Support Services	2,414,349	2,065,551
	Adult Learning Centres	-	2,464
	Community Education and Services	20,014	18,196
	Divisional Administration	783,211	803,073
	Instructional and Other Support Services	436,795	755,184
	Transportation of Pupils	1,859,888	1,871,426
	Operations and Maintenance	2,212,735	2,087,883
15	Fiscal - Interest	1,007,309	752,191
	- Other	306,924	302,003
	Amortization	855,620	
	Other Capital Items		21,662
	School Generated Funds	618,787	
	Other Special Purpose Funds	-	
		21,934,746	20,160,210
	Current Year Surplus (Deficit)	481,139	267,700
	Opening Accumulated Surplus	20,227,745	19,960,045
	Restatements: Tangible Cap. Assets and Accum. Amort.	(15,733,992)	
13	Other than Tangible Cap. Assets	128,425	0
	Opening Accumulated Surplus, as restated	4,622,178	19,960,045
	Closing Accumulated Surplus	5,103,317	20,227,745

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	481,139
Amortization of Tangible Capital Assets	855,620
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	31,306
	200,792
Inventories (Increase)/Decrease	
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	634,206
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	128,425
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	481,139
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	855,620
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	140,740
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	86,811
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	125,996
Accounts Payable & Accrued Liabilities Increase/(Decrease)	175,848
Deferred Revenue Increase/(Decrease)	121,633
School Generated Funds Liability Increase/(Decrease)	29,017
Restatements Other than Tangible Cap. Assets	128,425
Cash Provided by Operating Transactions	1,820,554
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	31,306
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	531,702
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Red River Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	22,314,909	534,577	3,393,128	232,283	1,623,474	-	426,330	-	-	28,524,701
Restatements	(2,940,024)	702,225	(1,452,220)	(23,824)	(1,263,162)	-	140,159	-	-	(4,836,846)
Opening Cost restated	19,374,885	1,236,802	1,940,908	208,459	360,312	-	566,489	-	-	23,687,855
Add:										
Additions during the year	-	-	325,894	31,602	140,484	89,371	-	-	69,077	656,428
Less:										
Disposals and write downs	-	-	-	-	29,833	-	1,600	-	-	31,433
Closing Cost	19,374,885	1,236,802	2,266,802	240,061	470,963	89,371	564,889	-	69,077	24,312,850
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	9,208,893	375,761	991,962	151,654	168,876	-	-	-	-	10,897,146
Opening restated	9,208,893	375,761	991,962	151,654	168,876	-	-	-	-	10,897,146
Add:										
Current period Amortization	525,532	33,680	198,603	18,773	73,502	5,530	-	-		855,620
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	29,833	-	-	-	-	29,833
Closing Accumulated Amortization	9,734,425	409,441	1,190,565	170,427	212,545	5,530	-	-	-	11,722,933
Net Tangible Capital Asset	9,640,460	827,361	1,076,237	69,634	258,418	83,841	564,889	-	69,077	12,589,917
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	31,306			31,306

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Red River Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Bank Overdraft

The Division has an authorized line of credit with Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .6%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $242,551 ($237,154 in 2006).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 430,547	$ 548,486	$ 430,547	$ 548,486
Manitoba Text Book Bureau	-	3,694	-	3,694
	$ 430,547	$ 552,180	$ 430,547	$ 552,180

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $29,017.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2007 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.875%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2008	$ 1,126,851
2009	1,121,407
2010	1,104,815
2011	1,054,343
2012	1,044,266
	$ 5,451,682

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office and an energy retrofit loan.

	2007	2006
Board office loan – Bank of Montreal	$ 214,282	$ 237,460
Energy Retrofit – Pacific & Western Bank	124,192	160,718
	$ 338,474	$ 398,178

The Board office loan has 5.75% interest per annum, due in fiscal year 2015 and a monthly payment of $3,019 principal and interest.

Energy retrofit loan has 6.39% interest per annum, due in fiscal year 2010 and an annual payment of $46,800 principal and interest. This loan is secured by way of borrowing resolution.

Total principal and interest repayment of total Other Borrowings in the next five years are:

2008	$ 83,028
2009	83,028
2010	83,028
2011	36,228
2012	36,228
	$ 321,540

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $nil (previous year $nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 507,226
Undesignated Surplus	889,702
	$ 1,396,928
Capital Fund	
Reserve Accounts	$ 138,052
Equity in Tangible Capital Assets	3,429,578
	$ 3,567,630
Special Purpose Fund	
School Generated Funds	$ 138,759
Other Special Purpose Funds	-
	$ 138,759
Total Accumulated Surplus	$5,103,317

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2007
School budget carryovers by board policy	$ 312,289
Red River surplus agreement	194,937
Designated surplus	$ 507,226

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. In June 2007, the PSFB approved the establishment of a capital reserve to finance the relocation and expansion of the division's vocational/career development program in the amount of $1,200,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus Reserve	$ 138,052
Vocational Programming Reserve	-
Other Reserves	-
Capital Reserve	$ 138,052

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Border Land School Division Payment	$ (5,730)
Capital Fund	
Tangible Capital Assets	(4,836,846)
Accumulated Amortization	(10,897,146)
	(15,733,992)
Special Purpose Fund	
School Generated Funds	134,155
Other Special Purpose Funds	-
	134,155
Total Restatement of Opening Accumulated Surplus	$(15,605,567)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division s contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 7,056,339	$ 6,310,127
Receivable – Due from Municipal – Property Tax	$ 4,016,341	$ 3,837,003

15. Interest Received and Paid

The Division received interest during the year of $20,978 (previous year $27,513). Interest paid during the year was $1,007,309 (previous year $752,191).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 46,036
Capital Fund	
Debenture interest	937,952
Other interest	23,321
	$ 1,007,309

The accrual portion of debenture debt interest expense of $268,017 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 14,343,886	$ 14,662,145	$ 14,001,583
Employees benefits and allowances	1,012,290	1,036,591	1,016,708
Services	1,911,315	1,713,873	1,892,544
Supplies, materials and minor equipment	1,594,819	1,997,185	1,885,613
Interest	1,007,309	45,000	752,191
Bad debts	-	-	-
Payroll tax	306,924	315,236	302,003
Transfers	313,502	333,100	287,906
Amortization	855,620	-	-
Other capital items	(29,706)	-	21,662
School generated funds	618,787	-	-
Other special purpose funds	-	-	-
	$ 21,934,746	$ 20,103,130	$ 20,160,210

17. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $1,923,096 ($1,655,111 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Contingent Liabilities

Various lawsuits have been filed against the school division. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

19. Commitments and Appropriations of Operating Fund Surplus

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $507,226 at June 30, 2007 ($614,563 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 11,886
2009	11,886
2010	11,682
2011	10,344

20. Subsequent Event

On September 26, 2007, the Board of Trustees approved a transfer of $600,000 from Operating Fund Accumulated Surplus to a Vocational Programming Capital Reserve.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson
Robert J. Fraser

Secretary-Treasurer
Vince Mariani

October 23, 2007

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
RIVER EAST TRANSCONA SCHOOL DIVISION

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2007 and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – Schedule of Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Financial Statements

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our examination also included the statements presented on pages 3, 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained there-in.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
October 23, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	3,259,570	2,087,633
	- Federal Government	151,693	242,388
14	- Municipal Government	26,288,059	26,901,036
	- Other School Divisions	38,091	-
	- First Nations	53,942	-
	Accounts Receivable	412,815	271,969
	Accrued Investment Income	-	-
	Other Investments	-	
		30,204,170	29,503,026
	Liabilities		
5	Overdraft	950,039	4,579,849
	Accounts Payable	1,646,417	2,172,781
	Accrued Liabilities	11,871,317	10,966,614
6	Employee Future Benefits	118,441	-
	Accrued Interest Payable	1,042,777	-
	Due to - Provincial Government	5,765	6,106
	- Federal Government	13,546	13,659
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	7,948,799	5,622,627
9	Debenture Debt	29,774,336	31,434,689
10	Other Borrowings	7,303,276	3,462,204
8	School Generated Funds Liability	1,399,420	
		62,074,133	58,258,529
	Net Debt		
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	49,921,822	132,714,380
	Inventories	-	-
	Prepaid Expenses	218,183	276,563
		50,140,005	132,990,943
12	**Accumulated Surplus**	18,270,042	104,235,440

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	105,211,668	97,374,611
	Federal Government	19,006	54,955
14	Municipal Government - Property Tax	45,101,908	44,748,378
	- Other	-	-
	Other School Divisions	846,100	856,099
	First Nations	30,634	91,673
	Private Organizations and Individuals	2,603,257	2,102,548
	Other Sources	530,197	523,124
	School Generated Funds	1,000,281	
	Other Special Purpose Funds	-	
		155,343,051	145,751,388
	Expenses		
	Regular Instruction	83,626,471	82,103,898
	Student Support Services	25,010,609	20,785,024
	Adult Learning Centres	875,303	915,178
	Community Education and Services	869,540	872,041
	Divisional Administration	4,136,873	4,501,250
	Instructional and Other Support Services	6,165,372	7,324,062
	Transportation of Pupils	2,700,257	2,589,597
	Operations and Maintenance	17,491,482	16,423,051
15	Fiscal - Interest	3,982,542	2,812,022
	- Other	2,363,002	2,596,043
	Amortization	4,170,373	
	Other Capital Items	95,418	281,372
	School Generated Funds	959,762	
	Other Special Purpose Funds	-	
		152,447,004	141,203,538
	Current Year Surplus (Deficit)	2,896,047	4,547,850
	Opening Accumulated Surplus	104,235,440	99,687,590
	Restatements: Tangible Cap. Assets and Accum. Amort.	(85,182,195)	
	Other than Tangible Cap. Assets	(3,679,250)	0
	Opening Accumulated Surplus, as restated	15,373,995	99,687,590
	Closing Accumulated Surplus	18,270,042	104,235,440

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,896,047
Amortization of Tangible Capital Assets	4,170,373
Acquisition of Tangible Capital Assets	(6,569,189)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,319)
Proceeds on Sale of Tangible Capital Assets	10,498
	(2,389,637)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	58,380
	58,380
(Increase)/Decrease in Net Debt	564,790
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,896,047
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	4,170,373
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,319)
Employee Future Benefits Increase/(Decrease)	118,441
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(809,298)
Accounts Receivable & Accrued Income (Increase)/Decrease	(140,540)
Inventories and Prepaid Expenses - (Increase)/Decrease	58,380
Due to Other Organizations Increase/(Decrease)	(543)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,421,116
Deferred Revenue Increase/(Decrease)	2,326,172
School Generated Funds Liability Increase/(Decrease)	1,399,420
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	8,007,782
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	10,498
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,660,423)
Other Borrowings Increase/(Decrease)	3,841,072
Cash Provided by (Applied to) Financing Transactions	2,180,719
Cash and Bank / Overdraft (Increase)/Decrease	3,629,810
Cash and Bank (Overdraft) at Beginning of Year	(4,579,349)
Cash and Bank (Overdraft) at End of Year	(949,539)

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007	2006
Financial Assets		
Cash and Bank	-	-
Short Term Investments	-	-
Due from - Provincial Government	2,191,229	2,087,633
- Federal Government	151,693	242,388
- Municipal Government	26,288,059	26,901,036
- Other School Divisions	38,091	-
- First Nations	53,942	-
- Other Funds		29,781
Accounts Receivable	406,472	258,891
Accrued Investment Income		
	29,129,486	29,519,729
Liabilities		
Overdraft	659,085	2,426,080
Accounts Payable	1,475,718	1,873,609
Accrued Liabilities	11,861,893	10,809,498
Employee Future Benefits	118,441	
Accrued Interest Payable	-	
Due to - Provincial Government	5,765	6,106
- Federal Government	13,546	13,659
- Municipal Government	-	-
- Other School Divisions	-	-
- First Nations	-	-
- Capital Fund	1,906,283	188,513
Deferred Revenue	7,314,422	5,622,627
Other Borrowings	-	-
	23,355,153	20,940,092
Net Financial Assets (Net Debt)	5,774,333	8,579,637
Non-Financial Assets		
Inventories	-	-
Prepaid Expenses	218,183	276,563
	218,183	276,563
Accumulated Surplus (Deficit)	5,992,516	8,856,200

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007 Actual	2007 Budget	2006 Actual
Revenue			
Provincial Government	98,917,895	92,835,936	92,269,528
Federal Government	19,006	12,000	54,955
Municipal Government - Property Tax	45,101,908	47,701,115	44,748,378
- Other	-	-	-
Other School Divisions	846,100	215,000	856,099
First Nations	30,634	-	91,673
Private Organizations and Individuals	2,603,257	555,000	2,102,548
Other Sources	455,615	200,000	523,124
	147,974,415	141,519,051	140,646,305
Expenses			
Regular Instruction	83,626,471	84,302,735	82,103,898
Student Support Services	25,010,609	22,556,240	20,785,024
Adult Learning Centres	875,303	-	915,178
Community Education and Services	869,540	581,195	872,041
Divisional Administration	4,136,873	4,227,338	4,501,250
Instructional and Other Support Services	6,165,372	6,342,443	7,324,062
Transportation of Pupils	2,700,257	2,604,300	2,589,597
Operations and Maintenance	17,491,482	17,135,100	16,423,051
Fiscal	2,437,889	2,357,000	2,638,584
	143,313,796	140,106,351	138,152,685
Current Year Surplus (Deficit)	4,660,619	1,412,700	2,493,620
Net Transfers from (to) Capital Fund			
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)		0	387,611
Opening Accumulated Surplus (Deficit)	8,856,200		8,468,589
Restatements:	-		
	-		-
Opening Accumulated Surplus (Deficit), as restated	8,856,200		8,468,589
Closing Accumulated Surplus (Deficit)	5,992,516		8,856,200

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007	2006
Financial Assets		
Cash and Bank	-	-
Short Term Investments	-	-
Due from - Provincial Government	1,068,341	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Other Funds	1,906,283	188,513
Accounts Receivable	6,343	13,078
Accrued Investment Income	-	
	2,980,967	201,591
Liabilities		
Overdraft	1,945,483	2,153,769
Accounts Payable	170,699	299,172
Accrued Liabilities	9,424	157,116
Accrued Interest Payable	1,042,777	
Due to - Provincial Government	-	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Operating Fund	-	29,781
Deferred Revenue	634,377	
Debenture Debt	29,774,336	31,434,689
Other Borrowings	7,303,276	3,462,204
	40,880,372	37,536,731
Net Debt		
Non-Financial Assets		
Net Tangible Capital Assets	49,921,822	132,714,380
Accumulated Surplus / Equity *	12,022,417	95,379,240
* Comprised of:		
Reserve Accounts	188,513	188,513
Equity in Tangible Capital Assets	11,833,904	95,190,727
	12,022,417	95,379,240

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007	2006
Revenue		
Provincial Government		
Grants	27,631	-
Debt Servicing - Principal	2,875,153	2,596,757
- Interest	3,390,989	2,508,326
Federal Government	-	-
Municipal Government	-	-
Other Sources:		
Investment Income	-	-
Donations	74,582	-
Insurance Proceeds	-	-
	-	
	0	-
	6,368,355	5,105,083
Expenses		
Amortization	4,170,373	
Debenture Debt Interest	3,390,989	2,508,326
Other Interest	516,666	261,155
Other Capital Items	96,737	
Loss / (Gain) on Disposal of Capital Assets		281,372
	8,173,446	3,050,853
Current Year Surplus / (Deficit)		2,054,230
Net Transfers from (to) Operating Fund	7,524,303	2,106,009
Transfers from Special Purpose Fund	-	
Net Current Year Surplus (Deficit)	5,719,212	4,160,239
Opening Accumulated Surplus / Equity	95,379,240	91,219,001
Restatements: Tangible Capital Assets and Accum. Amortization		
Donated Assets and Lease Commitments		
Opening Accumulated Surplus / Equity as restated	6,303,205	91,219,001
Closing Accumulated Surplus / Equity	12,022,417	95,379,240

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	112,750,830	6,053,240	4,176,353	357,498	7,237,069	-	2,139,390	-	-	##########
Restatements	(24,073,909)	(1,643,568)	-	(46,791)	(5,366,964)	3,896,979	(261,103)	-	3,094,267	(24,401,089)
Opening Cost restated	88,676,921	4,409,672	4,176,353	310,707	1,870,105	3,896,979	1,878,287	-	3,094,267	##########
Add:										
Additions during the year	2,193,222	1,789,679	580,736	49,413	457,822	2,134,013	-	2,026,741	(2,662,437)	6,569,189
Less:										
Disposals and write downs	-	-	83,374	53,240	-	-	-	-	-	136,614
Closing Cost	90,870,143	6,199,351	4,673,715	306,880	2,327,927	6,030,992	1,878,287	2,026,741	431,830	##########
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	53,914,632	1,726,091	2,378,032	213,172	515,397	2,033,782	-	-	-	60,781,106
Opening restated	53,914,632	1,726,091	2,378,032	213,172	515,397	2,033,782	-	-	-	60,781,106
Add:										
Current period Amortization	2,114,180	181,784	324,612	34,941	339,850	1,073,669	-	101,337		4,170,373
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	83,374	44,061	-	-	-	-	-	127,435
Closing Accumulated Amortization	56,028,812	1,907,875	2,619,270	204,052	855,247	3,107,451	-	101,337	-	64,824,044
Net Tangible Capital Asset	34,841,331	4,291,476	2,054,445	102,828	1,472,680	2,923,541	1,878,287	1,925,404	431,830	49,921,822
Proceeds from Sale of Capital Assets	-	-	3,887	6,611	-	-	-			10,498

* Includes network infrastructure.

River East Transcona School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2007

Fund Name >	Buses	Park Circle				Totals
Opening Balance, July 1, 2006	-	188,513	-	-	-	188,513
Additions: (Provide a description of each transaction)						
	-	-				-
						-
						-
						-
						-
						-
						-
						-
Total Additions	-	-	-	-	-	-
Withdrawals: (Provide a description of each transaction)						
	-	-				-
	-					-
						-
						-
						-
						-
						-
						-
						-
Total Withdrawals	-	-	-	-	-	-
Closing Balance, June 30, 2007	-	188,513	-	-	-	188,513

SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007
Financial Assets	
Cash and Bank	1,654,529
Short Term Investments	-
Accrued Investment Income	-
Other Investments	-
	1,654,529
Liabilities	
School Generated Funds Liability	1,399,420
Accounts Payable	-
Accrued Liabilities	-
Due to Other Funds	-
Deferred Revenue	-
	1,399,420
Accumulated Surplus *	255,109
* Comprised of:	
School Generated Funds Accumulated Surplus	255,109
Other Funds Accumulated Surplus	-
	255,109

SPECIAL PURPOSE FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007
Revenue	
School Generated Funds	1,000,281
Other Funds	-
	-
	1,000,281
Expenses	
School Generated Funds	959,762
Other Funds	-
	-
	959,762
Current Year Surplus (Deficit)	40,519
Transfers (to) Operating Fund	-
Transfers (to) Capital Fund	-
Net Current Year Surplus (Deficit)	40,519
Opening Accumulated Surplus	-
Restatements: School Generated Funds	214,590
	-
Opening Accumulated Surplus as restated	214,590
Closing Accumulated Surplus	255,109

1. Nature of Organization and Economic Dependence

The River East Transcona School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education (FRAME), the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

3. Significant Accounting Policies (continued)

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

3. **Significant Accounting Policies (continued)**

g) Tangible Capital Assets (continued)

30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency at their estimated fair market value at the time of acquisition.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset Description	Estimated Useful Life (years)
Land Improvements	10
Building - brick, mortar and steel	40
Buildings - wood frame	25
School buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized on a straights line basis over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

3. **Significant Accounting Policies (continued)**

h) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

Under the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching staff, the Division's contributions equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

i) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

k) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair value, unless otherwise noted.

4. **Conversion to PSAB**

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

4. Conversion to PSAB (continued)

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. This includes the recognition of donated capital assets and the related deferred revenue. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) Assets acquired under capital leases as well as the related obligations were capitalized.

(iii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iv) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(v) Accrued Interest Payable was established to account for the accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized demand operating loan of $35,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%. Interest is paid monthly. Included in the overdrafts are capital projects, which will be submitted to Public Schools Finance Branch for debenture funding, totaling approximately $225,000. Overdrafts are secured by a Borrowing By-law.

6. Employee Future Benefits

An employee future benefit liability of $118,441 has been accrued as at June 30, 2007 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

During the year ended June 30, 2007, the employer contributions to MAST amounted to $1,641,991. This amount has been expensed in the Division's financial statements for the year ended June 30, 2007.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Restatement (see Note 4)	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Province of Manitoba – EPTC*	$ 5,146,414	-	$ 6,828,471	$ 5,146,414	$ 6,828,471
Province of Manitoba - Other	198,190	-	285,476	293,979	189,687
Tuition Fees	200,874	-	221,880	200,874	221,880
Donated Capital Assets	-	515,762	193,197	74,582	634,377
Miscellaneous	77,149	-	221,936	224,701	74,384
	$ 5,622,627	$ 515,762	$ 7,750,960	$ 5,940,550	$ 7,948,799

*EPTC = Education Property Tax Credit

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,399,420.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 2,852,554	$ 2,358,744	$ 5,211,298
2009	2,991,448	2,112,237	5,103,685
2010	2,736,513	1,854,959	4,591,472
2011	2,236,838	1,631,016	3,867,854
2012	2,003,173	1,452,014	3,455,187
	$ 12,820,526	$ 9,408,970	$ 22,229,496

The fair value of the debenture debt is approximately $19,448,000.

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures and includes obligations related to capital leases.

Capital lease loans have interest rates ranging from 2.4% to 12.0% per annum and have lease terms that expire between 2008 to 2013. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligation under capital leases are as follows:

	Principal	Interest	Total
2008	$ 1,372,075	$ 164,571	$ 1,536,646
2009	1,149,412	104,817	1,254,229
2010	885,526	59,757	945,283
2011	566,958	29,420	596,378
2012	226,693	6,446	233,139
	$ 4,200,664	$ 365,011	$ 4,565,675

The fair value of obligations under capital lease is approximately $4,247,000.

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset class. The amount of interest capitalized in the period included in Assets under Construction was $2,930 (previous year $15,620). Included in net tangible capital assets are assets relating to obligations under capital lease for the gross amount, accumulated amortization and net book value at June 30, 2007 are $7,000,235, $3,504,900 and $3,495,335 respectively.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 3,388,383
Undesignated Surplus	2,604,133
	5,992,516
Capital Fund	
Reserve Accounts	188,513
Equity in Tangible Capital Assets	11,833,904
	12,022,417
Special Purpose Fund	
School Generated Funds	255,109
Other Special Purpose Funds	-
	255,109
Total Accumulated Surplus	$ 18,270,042

12. Accumulated Surplus (continued)

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus

	2007
Board approved appropriation by motion	$ 2,184,077
School budget carryovers by board policy	1,204,306
Designated surplus	$ 3,388,383

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserve	$ -
Other reserve	188,513
Capital reserve	$ 188,513

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

13. Restatement of Opening Accumulated Surplus

As a result of the conversion to PSAB as described in Note 4, the opening accumulated surplus was restated as follows:

	2007
Operating Fund	$ -
Capital Fund	
Tangible Capital Assets	(85,182,195)
Obligation under Capital Lease	(3,378,078)
Donated Assets	(515,762)
	(89,076,035)
Special Purpose Fund	
School Generated Funds	214,590
Other Special Purpose Funds	-
	214,590
Total Restatement of Opening Accumulated Surplus	$ (88,861,445)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 45,101,908	$44,748,378
Receivable-Due from Municipal-Property Tax	$ 26,288,059	$26,901,036

15. Interest Received and Paid

The Division received interest during the year of $297,107 (2006 - $338,655); interest paid during the year was $3,982,542 (2006 - $2,812,027).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-Short Term Loan, Interest and Bank Charges	$ 74,887
Capital Fund	
Debenture Debt Interest	3,390,989
Interest on Obligation under Capital Lease	169,849
Other Interest	346,817
	$ 3,982,542

The accrued portion of debenture debt interest expense at June 30, 2007 of $1,042,277 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object.

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 110,969,990	$109,326,311	$105,883,852
Employees benefits & allowances	7,877,298	7,581,000	7,616,930
Services	13,903,530	13,136,350	13,228,935
Supplies, materials & minor equipment	7,340,063	7,493,986	8,022,360
Interest	3,982,542	2,348,266	2,812,022
School Divisions	691,165	166,000	715,564
Other operating expenses	64,461	45,704	46,460
Payroll tax	2,363,002	2,297,000	2,596,043
Amortization	4,170,373	-	-
Other capital items	95,418	-	281,372
School generated funds	959,762	-	-
	$ 152,417,604	$142,394,617	$141,203,538

17. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $233,442 (2006 - $207,349). These amounts are not included in the Division's consolidated financial statements.

18. Trust Fund

The Division administers the following trust funds, which are not reflected in the financial statements.

	2007
Scholarship Funds	
Balance, beginning of year	$ 305,572
Cash contributions received during the year	22,761
Interest income	12,640
Scholarships awarded	(16,367)
Balance, end of year	$ 324,606

	2007
Assets	
Cash and investments	$ 324,606

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Rolling River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary\Treasurer

October 9, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Rolling River School Division

We have audited the consolidated statement of financial position of the Rolling River School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplementary information shown.

Brandon, Manitoba
October 9, 2007

Meyers Norris Penny LLP

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	274,221	269,070
	- Federal Government	90,351	93,278
	- Municipal Government	3,392,035	3,463,494
	- Other School Divisions	-	-
	- First Nations	254,484	-
	Accounts Receivable	83,210	94,760
	Accrued Investment Income	-	-
	Other Investments	-	
		4,094,301	3,920,602
	Liabilities		
5	Overdraft	1,056,668	1,921,525
	Accounts Payable	138,911	84,408
	Accrued Liabilities	905,910	289,620
	Employee Future Benefits	-	-
	Accrued Interest Payable	261,580	-
	Due to - Provincial Government	3,858	14,947
	- Federal Government	-	-
	- Municipal Government	42	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	405,608	388,746
8	Debenture Debt	7,627,259	8,063,040
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		10,399,836	10,762,286
	Net Debt	(6,305,535)	(6,841,684)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,953,051	24,125,897
	Inventories	-	-
	Prepaid Expenses	30,769	59,244
		8,983,820	24,185,141
10	**Accumulated Surplus**	2,678,285	17,343,457

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	12,598,538	12,021,979
	Federal Government	15,415	19,223
	Municipal Government - Property Tax	5,994,034	6,012,389
	- Other	-	-
	Other School Divisions	88,920	74,750
	First Nations	896,096	1,026,944
	Private Organizations and Individuals	40,841	26,798
	Other Sources	68,204	46,855
	School Generated Funds	658,222	
	Other Special Purpose Funds	-	
		20,360,270	19,228,938
	Expenses		
	Regular Instruction	10,521,173	10,494,808
	Student Support Services	2,387,666	1,857,751
	Adult Learning Centres	128,670	134,840
	Community Education and Services	17,074	11,170
	Divisional Administration	695,850	632,119
	Instructional and Other Support Services	591,514	746,474
	Transportation of Pupils	1,291,060	1,268,945
	Operations and Maintenance	2,103,360	1,998,980
13	Fiscal - Interest	915,516	591,941
	- Other	279,015	274,824
	Amortization	727,207	
	Other Capital Items	3,600	122,814
	School Generated Funds	668,354	
	Other Special Purpose Funds	-	
		20,330,059	18,134,666
	Current Year Surplus (Deficit)	30,211	1,094,272
	Opening Accumulated Surplus	17,343,457	16,249,185
	Restatements: Tangible Cap. Assets and Accum. Amort.	(14,952,344)	
11	Other than Tangible Cap. Assets	256,961	0
	Opening Accumulated Surplus, as restated	2,648,074	16,249,185
	Closing Accumulated Surplus	2,678,285	17,343,457

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	30,211
Amortization of Tangible Capital Assets	727,207
Acquisition of Tangible Capital Assets	(506,705)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	220,502
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	28,475
	28,475
(Increase)/Decrease in Net Debt	279,188
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	256,961
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	30,211
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	727,207
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	11,550
Inventories and Prepaid Expenses - (Increase)/Decrease	28,475
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	932,373
Deferred Revenue Increase/(Decrease)	16,862
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	256,961
Cash Provided by Operating Transactions	1,807,343
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	864,857
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Rolling River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	19,592,761	-	2,657,189	292,099	1,428,980	-	154,868	-	-	24,125,897
Restatements	(4,018,750)	107,000	(1,137,574)	(87,186)	(1,317,820)	-		-	952,096	(5,502,234)
Opening Cost restated	15,574,011	107,000	1,519,615	204,913	111,160	-	154,868	-	952,096	18,623,663
Add:										
Additions during the year	1,141,734	-	248,121	20,549	6,900	-	-	-	(910,599)	506,705
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	16,715,745	107,000	1,767,736	225,462	118,060	-	154,868	-	41,497	19,130,368
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,592,686	65,613	700,442	62,711	28,658	-	-	-	-	9,450,110
Opening restated	8,592,686	65,613	700,442	62,711	28,658	-	-	-	-	9,450,110
Add:										
Current period Amortization	499,478	2,675	161,419	40,713	22,922	-	-	-		727,207
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,092,164	68,288	861,861	103,424	51,580	-	-	-	-	10,177,317
Net Tangible Capital Asset	7,623,581	38,712	905,875	122,038	66,480	-	154,868	-	41,497	8,953,051
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

ROLLING RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, life insurance and supplemental employment benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

The pension plan contributions are based on 9% to 11.65% of eligible earnings. The life insurance policy contributions are based on 0.12% to 0.24% of eligible earnings. Supplementary employment benefits tops up employment insurance benefits to 90% of regular earnings at the time the leave commenced.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Defined benefit/self-insured employee future benefit plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial

risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days) the benefit costs are accounted for on a full accrual basis determined using management's best estimate.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Minnedosa Credit Union of $5,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%, interest is paid monthly. Overdrafts are secured by borrowing by law.

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to support employees based on their length of service and rates of pay. Eligible employees contribute 9% to 11.65% of their earnings to the plan. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements

Long term disability benefits are covered by an insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for

the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Donated Capital Assets	-	-	-	-
General Support Grant		118,318		118,318
Education Property Tax Credit	388,746	287,290	388,746	287,290
	$ 388,746	$ 405,608	$ 388,746	$ 405,608

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875 % to 11.50 %. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 537,862	$ 533,577	$ 1,071,439
2009	555,700	488,518	1,044,218
2010	571,126	442,454	1,013,580
2011	508,994	395,723	904,717
2012	517,301	356,890	874,191
	$ 2,690,983	$ 2,217,162	$ 4,908,145

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year $2,742)

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 19,130,368	$ 10,177,317	$ 8,953,051
Capital lease	-	-	-
	$ 19,130,368	$ 10,177,317	$ 8,953,051

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	960,877
	960,877
Capital Fund	
Reserve Accounts	186,282
Equity in Tangible Capital Assets	1,284,297
	1,470,579
Special Purpose Fund	
School Generated Funds	246,829
Other Special Purpose Funds	-
	246,829
Total Accumulated Surplus	$ 2,678,285

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	-
School budget carryovers by board policy	-
Designated surplus	$ -

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	186,282
Other reserves	-
Capital Reserve	$ 186,282

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,502,234)
Accumulated Amortization	(9,450,110)
	(14,952,344)
Special Purpose Fund	
School Generated Funds	256,961
Other Special Purpose Funds	-
	256,961
Total Restatement of Opening Accumulated Surplus	$ (14,695,383)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years: 42.3% from 2006 tax year and 57.7% from 2007 tax year. Below are the related revenue and receivable amounts:

Revenue-Municipal Government-Property Tax	$ 5,994,034	$ 6,012,389
Receivable-Due from Municipal-Property Tax	$ 3,392,035	$ 3,463,494

13. Interest Received and Paid

The Division received interest during the year of $15,912 (previous year $7,311); interest paid during the year was $915,516 (previous year $591,941).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 74,828
Capital Fund	
Debenture debt interest	840,688
Other interest	-
	$ 915,516

The pension and other employee benefits interest expenses of $0 is included under the Operating Fund-Fiscal-short term loan, interest and bank charges.

The accrual portion of debenture debt interest expense of $261,580 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

Note # 17 Allowance for Doubtful Accounts

	2007
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	$ -
Accounts Receivable	-
	NIL
Bad debts expense (included in fiscal-Other)	NIL

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 13,627,656	$ 13,408,010	$ 13,127,967
Employees benefits & allowances	1,014,900	1,024,065	993,788
Services	1,537,467	1,515,225	1,429,907
Supplies, materials & minor equipment	1,411,953	1,478,700	1,500,557
Interest	915,516	71,300	591,941
Transfers	144,391	-	92,868
Payroll tax	279,015	290,000	274,824
Amortization	727,207	-	-
Other capital items	3,600	-	122,814
School generated funds	668,354	-	-
Other special purpose funds	-	-	-
	$ 20,330,059	$ 17,787,300	$ 18,134,666

16. Special Levy Raised for la Division scolaire franco-manitobaine *(if applicable)*

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $20,477 (2006 - $15,672). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seine River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Seine River School Division

We have audited the consolidated statement of financial position of **Seine School Division** ("The Division") as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 20, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,089,623	1,620,229
	Short Term Investments	350,007	288,137
	Due from - Provincial Government	653,471	418,493
	- Federal Government	170,482	126,836
	- Municipal Government	4,415,064	4,425,299
	- Other School Divisions	461	15,444
	- First Nations	-	-
	Accounts Receivable	35,268	25,578
	Accrued Investment Income	-	-
	Other Investments	-	
		6,714,376	6,920,016
	Liabilities		
5	Overdraft	-	-
	Accounts Payable	792,136	740,977
	Accrued Liabilities	22,000	168,848
6	Employee Future Benefits	203,115	-
15	Accrued Interest Payable	499,925	-
	Due to - Provincial Government	107,141	106,156
	- Federal Government	1,343,341	1,237,672
	- Municipal Government	36,274	36,575
	- Other School Divisions	807,960	629,774
	- First Nations	-	-
7	Deferred Revenue	1,255,547	937,370
9	Debenture Debt	16,407,092	15,986,792
10	Other Borrowings	785,971	1,163,724
8	School Generated Funds Liability	15,187	
		22,275,689	21,007,888
	Net Debt		
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	20,471,079	40,624,519
	Inventories	-	-
	Prepaid Expenses	189,180	161,868
		20,660,259	40,786,387
12	**Accumulated Surplus**	5,098,946	26,698,515

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	24,405,106	22,898,595
	Federal Government	25,697	9,747
	Municipal Government - Property Tax	8,226,060	7,653,344
	- Other	-	100
	Other School Divisions	202,359	208,290
	First Nations	-	-
	Private Organizations and Individuals	21,705	14,897
	Other Sources	130,883	98,032
	School Generated Funds	1,065,593	
	Other Special Purpose Funds	-	
		34,077,403	30,883,005
	Expenses		
	Regular Instruction	17,618,898	16,276,090
	Student Support Services	4,840,521	4,122,035
	Adult Learning Centres	260,079	264,387
	Community Education and Services	20,956	2,867
	Divisional Administration	1,218,143	1,041,662
	Instructional and Other Support Services	878,970	1,187,827
	Transportation of Pupils	1,872,344	1,803,086
	Operations and Maintenance	3,233,464	3,264,603
15	Fiscal - Interest	1,740,576	1,297,761
	- Other	491,985	454,254
	Amortization	1,218,491	
	Other Capital Items		94,928
	School Generated Funds	1,107,688	
	Other Special Purpose Funds	-	
		34,497,215	29,809,500
	Current Year Surplus (Deficit)	[illegible]	1,073,505
	Opening Accumulated Surplus	26,698,515	25,625,010
13	Restatements: Tangible Cap. Assets and Accum. Amort.	[illegible]	
	Other than Tangible Cap. Assets	172,717	0
	Opening Accumulated Surplus, as restated	5,518,758	25,625,010
	Closing Accumulated Surplus	5,098,946	26,698,515

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(419,812)
Amortization of Tangible Capital Assets	1,218,491
Acquisition of Tangible Capital Assets	(2,417,525)
(Gain) / Loss on Sale of Tangible Capital Assets	(4,900)
Proceeds on Sale of Tangible Capital Assets	4,900
	(1,199,034)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	21,446
	21,446
(Increase)/Decrease in Net Debt	(1,597,180)
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	172,717
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,218,491
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	203,115
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	284,539
Accounts Payable & Accrued Liabilities Increase/(Decrease)	404,236
Deferred Revenue Increase/(Decrease)	318,177
School Generated Funds Liability Increase/(Decrease)	15,187
Restatements Other than Tangible Cap. Assets	172,717
Cash Provided by Operating Transactions	1,839,472
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	4,900
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	420,300
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	42,547
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	1,620,229
Cash and Bank (Overdraft) at End of Year	1,089,623

Seine River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	34,419,007	628,908	3,905,882	96,570	1,026,515	-	547,637	-	-	40,624,519
Restatements	(5,067,700)	(37,585)	(1,154,884)	(41,501)	(549,479)	286,167	(95,751)	-	296,344	(6,364,389)
Opening Cost restated	29,351,307	591,323	2,750,998	55,069	477,036	286,167	451,886	-	296,344	34,260,130
Add:										
Additions during the year	378,450	45,800	345,446	35,998	14,606	-	-	-	1,597,225	2,417,525
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	29,729,757	637,123	3,096,444	91,067	491,642	286,167	451,886	-	1,893,569	36,677,655
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	13,185,710	283,516	1,176,899	21,402	194,508	126,050	-	-	-	14,988,085
Opening restated	13,185,710	283,516	1,176,899	21,402	194,508	126,050	-	-	-	14,988,085
Add:										
Current period Amortization	775,281	31,310	274,772	14,614	53,718	68,796	-	-		1,218,491
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	13,960,991	314,826	1,451,671	36,016	248,226	194,846	-	-	-	16,206,576
Net Tangible Capital Asset	15,768,766	322,297	1,644,773	55,051	243,416	91,321	451,886	-	1,893,569	20,471,079
Proceeds from Sale of Capital Assets	-	-	4,900	-	-	-	-			4,900

* Includes network infrastructure.

Seine River School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2007

1. Nature of Organization and Economic Dependence

The Seine River School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for those employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations that are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Bank Overdraft

The Division has an authorized line of credit with La Caisse Populaire La Prairie of $5,000,000 by way of overdrafts and is repayable on demand at prime; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $192,776 ($191,232 in 2006).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 914,160	$ 1,215,872	$ 914,160	$ 1,215,872
Conference	23,210	39,675	23,210	39,675
	$ 937,370	$ 1,255,547	$ 937,370	$ 1,255,547

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $15,187.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.25%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

2008	$ 2,330,538
2009	2,293,160
2010	2,251,104
2011	1,944,785
2012	1,893,343
	$ 10,712,930

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for to acquisition of school buses and for energy management system retrofit.

	2007	2006
Bus Loan – La Caisse Populaire La Prairies	-	276,350
Energy Management System Retrofit Loan – Pacific & Western Bank	785,972	887,375
	$ 785,972	$ 1,163,725

The energy management system retrofit loan has 6.07% interest per annum, due in 2009 and a monthly payment of $12,654 principal and interest. This loan is secured by way of a security agreement.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 107,652	$ 44,190	$ 151,842
2009	114,285	37,557	151,842
2010	121,328	30,514	151,842
2011	128,804	23,038	151,842
2012	136,741	15,101	151,842
	$ 608,810	$ 150,400	$ 759,210

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (nil in 2006).

12. Accumulated Surplus

The consolidated accumulated surplus for 2007 is comprised of the following:

Operating Fund	
Designated Surplus	$ 786,260
Undesignated Surplus	1,099,964
	1,886,224
Capital Fund	
Reserve Accounts	354,582
Equity in Tangible Capital Assets	2,697,047
	3,051,629
Special Purpose Fund	
School Generated Funds	161,093
Other	-
	161,093
Total Accumulated Surplus	$ 5,098,946

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

School budget carryovers by board policy	$ 174,292
Various projects	611,968
Designated surplus	$ 786,260

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

Bus Reserve	$ 4,907
Energy Management Debt Repayment Reserve	302,100
Board Office Roof Replacement Reserve	47,575
Capital Reserve	$ 354,582

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus for 2007 is comprised of:

Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(6,364,389)
Accumulated Amortization	(14,988,085)
Accounts Payable	(30,471)
	(21,382,945)
Special Purpose Fund	
School Generated Funds	203,188
Other	-
	203,188
Total Restatement of Opening Accumulated Surplus	$ (21,179,757)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2006 tax year and 58% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 8,226,060	$ 7,653,344
Receivable – Due from Municipal – Property Tax	$ 4,415,064	$ 4,425,299

15. Interest Received and Paid

The Division received interest during the year of $14,676 ($14,107 in 2006); interest paid during the year was $1,740,576 ($1,297,761 in 2006).

Interest expense is included in Fiscal for 2007 and is comprised of the following:

Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 23,737
Capital Fund	
Debenture interest	1,660,267
Other interest	56,572
	$ 1,740,576

The accrual portion of debenture debt interest expense of $499,925 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 22,610,728	$ 21,744,210	$ 20,840,454
Employees benefits and allowances	1,679,717	1,646,904	1,526,533
Services	2,734,595	2,661,148	2,546,773
Supplies, materials & minor equipment	2,307,033	2,470,213	2,427,441
Interest	1,740,576	1,205,654	1,297,761
Bad debts	-	-	-
Payroll tax	491,985	458,699	454,254
Amortization	1,218,491	-	-
Transfers	611,302	631,509	621,356
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets 94,928		(4,900)	-
School generated funds	1,107,688	-	-
Other special purpose funds	-	-	-
	$ 34,497,215	$ 30,818,337	$ 29,809,500

17. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $3,331,812 ($2,853,118 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $786,260 at June 30, 2007 ($1,110,509 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 454,533
2009	318,510
2010	194,018
2011	21,972
2012	8,756

19. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seven Oaks School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary Treasurer

September 21, 2017

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of Seven Oaks School Division as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,115,937	1,028,292
	- Federal Government	388,212	136,534
	- Municipal Government	13,622,881	14,065,113
	- Other School Divisions	146,667	21,963
	- First Nations	-	-
	Accounts Receivable	152,058	542,280
	Accrued Investment Income	-	-
	Other Investments	-	
		16,425,755	15,794,182
	Liabilities		
5	Overdraft	11,573,614	3,030,536
	Accounts Payable	1,694,620	1,813,963
	Accrued Liabilities	848,052	568,593
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	1,674,751	1,262,157
	- Federal Government	59,609	3,663,696
	- Municipal Government	65,456	48,985
	- Other School Divisions	35,422	736,604
	- First Nations	-	-
7	Deferred Revenue	3,536,906	2,692,927
9	Debenture Debt	21,079,030	18,221,042
12	Other Borrowings	1,581,912	1,058,729
	School Generated Funds Liability	593,764	
		42,743,136	33,097,232
	Net Debt		
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	49,540,245	70,646,907
	Inventories	-	7,874
	Prepaid Expenses	257,657	274,633
		49,797,902	70,929,414
pg5	**Accumulated Surplus**	23,480,521	53,626,364

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	54,713,467	51,337,473
	Federal Government	31,114	11,623
	Municipal Government - Property Tax	23,437,146	23,264,671
	- Other	-	-
	Other School Divisions	815,366	813,179
	First Nations	135,972	205,929
	Private Organizations and Individuals	721,677	628,461
	Other Sources	121,383	112,572
	School Generated Funds	179,485	
	Other Special Purpose Funds	-	
		80,155,610	76,373,908
	Expenses		
	Regular Instruction	46,512,331	43,521,751
	Student Support Services	10,906,654	8,960,094
	Adult Learning Centres	283,429	375,839
	Community Education and Services	837,067	915,602
	Divisional Administration	2,526,995	2,208,077
	Instructional and Other Support Services	2,295,552	3,868,115
	Transportation of Pupils	2,282,350	2,150,321
	Operations and Maintenance	8,221,729	8,055,229
17	Fiscal - Interest	1,659,229	1,773,152
	- Other	1,245,947	1,229,592
	Amortization	1,737,834	
	Other Capital Items	308,263	135,949
	School Generated Funds	139,208	
	Other Special Purpose Funds	-	
		78,956,588	73,193,721
	Current Year Surplus (Deficit)	1,199,022	3,180,187
	Opening Accumulated Surplus	53,626,364	50,446,177
	Restatements: Tangible Cap Assets&Acc Amort (Note 4(i))	[illegible]	
	Other than Tangible Cap Assets (Note 4(ii))	[illegible]	0
	Opening Accumulated Surplus, as restated	22,281,499	50,446,177
	Closing Accumulated Surplus	23,480,521	53,626,364

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,199,022
Amortization of Tangible Capital Assets	1,737,834
Acquisition of Tangible Capital Assets	(11,367,819)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,650)
Proceeds on Sale of Tangible Capital Assets	1,650
	(9,629,985)
Inventories (Increase)/Decrease	7,874
Prepaid Expenses (Increase)/Decrease	16,976
	24,850
(Increase)/Decrease in Net Debt	(8,405,113)
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets (Note 4 (i))	
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,199,022
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,737,834
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	390,222
Inventories and Prepaid Expenses - (Increase)/Decrease	24,850
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	160,116
Deferred Revenue Increase/(Decrease)	843,979
School Generated Funds Liability Increase/(Decrease)	593,764
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,650
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	2,857,988
Other Borrowings Increase/(Decrease)	523,183
Cash Provided by (Applied to) Financing Transactions	3,381,171
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	55,617,685	2,084,184	2,446,715	119,335	6,292,968	-	4,086,020	-	-	70,646,907
Restatements	(6,110,517)	57,394	620,335	(58,443)	(5,685,568)	723,087	7,667,854	-	1,594,599	(1,191,259)
Opening Cost restated	49,507,168	2,141,578	3,067,050	60,892	607,400	723,087	11,753,874	-	1,594,599	69,455,648
Add:										
Additions during the year	1,074,890	-	263,025	16,230	99,515	153,033	694,573	-	9,066,553	11,367,819
Less:										
Disposals and write downs	-	-	84,765	-	-	-	-	-		84,765
Closing Cost	50,582,058	2,141,578	3,245,310	77,122	706,915	876,120	12,448,447	-	10,661,152	80,738,702
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	26,077,086	1,229,467	1,661,398	55,707	312,891	208,839	-	-	-	29,545,388
Opening restated	26,077,086	1,229,467	1,661,398	55,707	312,891	208,839	-	-	-	29,545,388
Add:										
Current period Amortization	1,295,831	47,058	258,131	5,580	95,684	35,550	-	-		1,737,834
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	84,765	-	-	-	-	-	-	84,765
Closing Accumulated Amortization	27,372,917	1,276,525	1,834,764	61,287	408,575	244,389	-	-	-	31,198,457
Net Tangible Capital Asset	23,209,141	865,053	1,410,546	15,835	298,340	631,731	12,448,447	-	10,661,152	49,540,245
Proceeds from Sale of Capital Assets	-		1,650	-	-	-	-			1,650

* Includes network infrastructure.

1. Nature of organization and economic dependence:

Seven Oaks School Division (the Division) is a public corporate body that provides educational programming to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the *Income Tax Act*.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative figures:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the consolidated statements of revenue, expenses and accumulated surplus. The 2006 figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB. Changes implemented to comply with PSAB standards are listed in note 4.

3. Significant accounting policies.

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Division's Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

3. Significant accounting principles (continued).

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$ (6,952)
Kildonan Youth Activity Centre	(1,751)
Village Project Activity Centre	39,526
Seven Oaks Parents in Support of Aboriginal Education	(224,435)
Safe Youth Program - from Federal Government Grant	37,743
Immigrant Integration program	(4,871)
Healthy Baby	8,012
	$ (152,728)

The amounts contributed by the Division will be reimbursed by these organizations.

(c) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

3. Significant accounting principles (continued).

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10
Leasehold improvements	25,000	Over term of the lease

With the exception of buildings all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Land was valued by Crown Land and Property Agency at historical costs of $10,114,876, plus cost of a future school site $819,974, and new West Kildonan site $819,024.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

3. Significant accounting principles (continued).

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Capital expenditures for the Swinford Park subdivision land development have been allocated on the basis disclosed in note 15.

(g) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes as detailed on page 24 of the consolidated financial statements. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(h) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(i) Development revenue:

Revenue from the sale of lands held for development is recognized when the contractual obligations of the Division have been completed.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

4. Conversion to PSAB:

Commencing with the 2006/07 fiscal year, school divisions in Manitoba have adopted generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. As explained in note 2 the comparative figures included in these consolidated financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standards:

(i) The net book value of tangible capital assets at the beginning of the fiscal year has been recalculated as if these assets had been recorded at fair value and amortized over their useful lives. The difference between this value and the previously reported book value is recorded as a cumulative adjustment to opening accumulated surplus. Amortization of tangible capital assets and gain or loss on disposal of tangible capital assets for the current fiscal year is recorded in the statement of revenue, expenses and accumulated surplus. As a result, opening accumulated surplus has been restated and reduced by $30,736,647, included in which is an increase in land in the amount of $7,667,854.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund have been combined in the consolidated financial statements. The Special Purpose Fund was created to consolidate on a prospective basis school generated funds (note 8) which were not previously reported. As a result, opening accumulated surplus has been restated and increased by $110,205. As well, opening accumulated surplus has been restated and reduced by $718,423 to reflect adjustment to the bus lease liability and donated tangible capital assets.

(iii) In the current fiscal year, accrued interest payable was recorded on debenture debt and other borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable.

5. Overdraft:

The Division has an authorized revolving line of credit with the Royal Bank of Canada (RBC) of $15,000,000 by way of overdrafts. The loan is repayable on demand at RBC prime less .25 percent. Interest is paid monthly.

6. Commitments:

(a) During the year ended June 30, 2005, the Division entered into a Design-Bid-Build contract with a firm to provide architect services in relation to the construction of a new high school in the Seven Oaks School Division. The architect costs will be based on 7 percent of construction costs plus certain out of pocket costs. At June 30, 2007, the architects had completed 87.5 percent of their work related to the new high school and invoiced the Division in the amount of $962,449.

(b) The Division entered into a Land Development Agreement with the City of Winnipeg in September 2003. The development agreement was for the amount of $725,329 excluding GST. Of those costs, $259,689 relate to the future school site and will not be incurred until a school is constructed.

(c) At their August 16, 2006 meeting the Public Schools' Finance Board approved the contract for the construction of the new West Kildonan High School. The total project costs, excluding land purchases, will be $17,580,349 of which the Public Schools' Finance Board is supporting $15,687,881 and the Division is supporting $1,892,468. The construction of the new high school commenced on September 18, 2006. On August 29, 2006 a construction contract in the amount of $15,713,450 was awarded in respect of the project. At June 30, 2007 the contractors had completed 55 percent of the project and invoiced the Division in the amount of $8,691,909.

(d) The Division is committed to the construction of a nature pond and incurred costs to date of approximately $22,568. An amount of $17,500 has been accrued at June 30, 2007 for estimated costs to complete the pond. Of the amounts recorded, $32,054 relates to the residential development and $8,014 to the school site.

7. Deferred revenue:

	Balance, June 30, 2006	Additions in the period	Revenue recognized in the period	Balance, June 30, 2007
Education property tax credit	$ 2,633,264	$ 8,414,038	$ 7,678,992	$ 3,368,310
Community school partnership initiative	–	45,000	10,011	34,989
Bus pass fees	59,063	284,588	297,408	46,243
Other special purpose funds	600	184,113	97,349	87,364
	$ 2,692,927	$ 8,927,739	$ 8,083,760	$ 3,536,906

8. School generated funds liability:

School generated funds are moneys raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2007, school funds held totaled $744,246.

The school generated funds liability of $593,764 at June 30, 2007 comprises the non-controlled portion of school generated funds.

9. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on the self-funded capital project of By Law 1-90, $335,531 principal, maturing in 2010. The debentures carry interest rates that range from 5.0 percent to 11.625 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2008	$ 1,826,780	$ 1,536,384	$ 3,363,164
2009	1,991,728	1,371,433	3,363,161
2010	1,811,898	1,190,800	3,002,698
2011	1,575,478	1,033,031	2,608,509
2012	1,645,132	902,776	2,547,908
Thereafter	12,228,014	4,594,354	16,822,368
	$ 21,079,030	$ 10,628,778	$ 31,707,808

As June 30, 2007 the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $4,491,000 (2006 - $931,700).

10. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 78,923,349	$ 30,501,526	$ 48,421,823
Capital lease	1,815,353	696,931	1,118,422
	$ 80,738,702	$ 31,198,457	$ 49,540,245

11. Expense by object:

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007 (Unaudited)	Actual 2006
Salaries	$ 58,099,947	$ 57,689,405	$ 55,433,824
Employees benefits and allowances	5,226,347	5,246,997	4,632,867
Services	5,660,891	5,569,760	5,213,983
Supplies, materials and minor equipment	3,845,488	4,266,417	3,790,748
Interest	1,659,229	100,000	1,773,152
Payroll tax	1,245,947	1,237,928	1,229,592
Amortization	1,737,834	–	–
Transfers to school divisions and other organizations	1,033,434	1,032,505	983,606
School generated funds	139,208	–	–
Other capital items	308,263	1,042,005	135,949
	$ 78,956,588	$ 76,185,017	$ 73,193,721

Budgeted figures are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

12. Contractual obligations:

The Division is committed to payments under long-term capital lease arrangements for buses through 2014 in the amount of $896,980.

2008	$ 162,014
2009	162,014
2010	162,014
2011	122,367
2012	122,366
2013	122,366
2014	43,839
	$ 896,980

13. Related party transactions:

The Seven Oaks Education Foundation Inc. (the Foundation) was incorporated on July 17, 2001 to take over the capital and administration of the Seven Oaks Scholarship Board (the Board). The Board had previously been established to assist students to further their education beyond the high school level. Certain trustees of the Division sit on the Foundation's Board.

During fiscal 2007, the Division provided a grant to the Foundation in the amount of $16,000 (2006 - $16,000) to the Board.

14. Contingencies:

The Division has under its development agreement with the City of Winnipeg guarantees for material and workmanship of city infrastructure services for a period of one year or until all deficiencies are corrected, which ever is later, for underground and street works under the land development construction contract. The School Division's guarantees are supported by a bond from the construction companies to repaid and or replace any works that are determined to be defective as a consequence of material or workmanship. Deficiencies in Phase I and II are still being corrected. As soon as these are accepted as complete the bond relating to these works will be released.

15. Land:

	Swinford Park Subdivision			Other	Total
		Residential land Development			
	School site	Phase I	Phase II		
Land, June 30, 2005	$ 777,553	$ –	$ 458,287	$ 2,618,225	$ 3,854,065
Additions in fiscal 2006	42,421	15,702	172,945	647,821	863,187
Dispositions in fiscal 2006 (note 16)	–	(15,702)	(615,530)	–	(631,232)
Land, June 30, 2006	819,974	–	–	3,266,046	4,086,020
Additions in fiscal 2007	16,406	71,196	39,807	678,167	805,576
Adjustment in fiscal 2007	–	(71,196)	(39,807)	–	(111,003)
Restatement (note 4 [i])	–	–	–	7,667,854	7,667,854
Land, June 30, 2007	$ 836,380	$ –	$ –	$ 11,612,067	$ 12,448,447

15. Land (continued):

In 2001 the Division acquired 22.5 acres of land, in the Riverbend area, at a cost of $433,436. The land was intended to be the site of a new high school that would replace the existing West Kildonan Collegiate. Upon receiving direction from the Public School Finance Board to renovate, rather than replace, the West Kildonan Collegiate, the Division retained 10.6 acres of the land for a future K-5 school. The balance of the land was developed under a Land Development Agreement with the City of Winnipeg and 71 lots were developed for resale. Swinford Park Subdivision Phase I costs of $1,370,719 were incurred in the years ending 2006 and Phase II costs totaling $815,530 were incurred in the year ending 2006. The portion of the land acquisition and servicing costs allocated to the future K-5 school site amounted to $777,553 to June 30, 2005 and $42,421 was allocated in fiscal 2006.

In fiscal 2007, additional costs of $127,409 related to Swinford Park Subdivision representing landscaping, infrastructure repair and professional fees were incurred and allocated between the school site ($16,406) and residential land development ($111,003). As all lots were sold prior to fiscal 2007, as disclosed in note 16, the costs allocated to the residential development were recorded as a reduction to capital fund surplus.

Phase I of Swinford Park Subdivision was completed in fiscal 2005 and Phase II was completed in fiscal 2006.

Since many of the costs incurred regarding the Swinford Park Subdivision were common to both the future school site and the residential development and not specifically allocated to either project segment by the respective service providers, the allocation between future school site and residential development required the use of estimates and assumptions which were made using careful judgment.

Management of the Division reviewed all of the expenditures that related to the residential development and to the future school site, in order to determine the allocation for certain costs that related to both the residential development and the future school site. Management requested that the project consultant, a third party consulting firm, prepare a report to the Division specifying an appropriate basis for cost allocation given the nature of the expenditures incurred.

The basis of the allocation as determined by the project consultant, and resultantly the Division, in allocating the expenditures between the residential development and future school site was as follows:

- Specific expenditures identified as part of development approvals, development agreement or service infrastructure required by a planned use were allocated to the development segment (residential development and future school site) benefiting from that use;

15. Land (continued):

- The cost of land acquisitions was allocated based on the pro rated share of the area being utilized by the respective development segment.
- Shared servicing expenses for municipal services were allocated on the basis of the benefiting frontage;
- Shared servicing expenses for municipal service connections were allocated on the basis of the benefiting area;
- Soft service expenses were not specifically apportioned by the respective service providers. Professional fees were allocated 80 percent to the residential development and 20 percent to the future school site reflecting the detailed attention this segment of the project required from the service providers.

16. Residential lot sales:

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Total
Swinford Park Subdivision:				
Lot proceeds:				
Phase I - 51 lots sold including lot transfer fees	$ 1,768,794	$ –	$ –	$ 1,768,794
Phase II - 20 lots sold including lot transfer fees	–	717,034	–	717,034
	1,768,794	717,034	–	2,485,828
Cost of lots sold:				
Phase I - costs allocated to 51 lots (note 15)	1,355,017	15,702	71,196	1,441,915
Phase II - costs allocated to 20 lots (note 15)	–	615,530	39,807	655,337
	1,355,017	631,232	111,003	2,097,252
Net surplus	$ 413,777	$ 85,802	$ (111,003)	$ 388,576

The Division entered into three lot sale agreements to sell a total of 71 residential lots in the Swinford Park Subdivision for proceeds of $2,471,628 plus $14,200 in lot transfer fees, to two firms.

In a letter dated March 12, 2003 from the Public Schools' Finance Board, the Division was authorized to sell surplus land in the Swinford Park Subdivision and retain 100 percent of the net proceeds, as the Division paid for the land and has borne all associated development expenditures and received no financial assistance from the Public Schools' Finance Board.

17. Interest paid:

Interest paid during the fiscal year is comprised of the following:

Operating Fund:	
Overdraft interest	$ 115,941
Capital Fund:	
Debenture debt interest	1,417,478
Debenture interest	46,348
Lease interest	79,462
	$ 1,659,229

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southwest Horizon School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 18, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 181(1) of the Public Schools Act)

To the Board of Trustees
Southwest Horizon School Division

We have audited the consolidated statement of financial position of the Southwest Horizon School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flows for the fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, which are presented for additional information, are consistent with the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Brandon, Manitoba
October 18, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,115,583	724,626
	- Federal Government	75,854	248,633
	- Municipal Government	6,534,343	6,490,113
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	92,743	89,399
	Accrued Investment Income	-	-
	Other Investments	-	
		7,818,523	7,552,771
	Liabilities		
5	Overdraft	1,818,216	2,652,200
	Accounts Payable	696,713	637,943
	Accrued Liabilities	93,158	90,611
	Employee Future Benefits	-	-
	Accrued Interest Payable	447,221	-
	Due to - Provincial Government	1,197	1,197
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,691,100	3,491,691
7	Debenture Debt	16,369,893	14,479,767
8	Other Borrowings	536,774	597,323
	School Generated Funds Liability	-	
		23,654,272	21,950,732
	Net Debt		
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	16,754,562	29,331,800
	Inventories	76,190	77,271
	Prepaid Expenses	139,133	43,887
		16,969,885	29,452,958
10	**Accumulated Surplus**	1,134,136	15,054,997

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	12,012,778	10,761,030
	Federal Government	14,635	46,581
	Municipal Government - Property Tax	6,391,954	6,489,007
	- Other	-	20,000
	Other School Divisions	75,400	60,886
	First Nations	-	-
	Private Organizations and Individuals	24,459	19,858
	Other Sources	97,384	59,344
	School Generated Funds	444,764	
	Other Special Purpose Funds	-	
		19,061,374	17,456,706
	Expenses		
	Regular Instruction	9,677,662	9,569,300
	Student Support Services	2,185,342	1,896,119
	Adult Learning Centres	-	-
	Community Education and Services	50,078	44,711
	Divisional Administration	616,557	626,411
	Instructional and Other Support Services	319,663	494,624
	Transportation of Pupils	1,436,380	1,426,158
	Operations and Maintenance	1,835,342	1,736,541
13	Fiscal - Interest	1,404,050	676,777
	- Other	258,138	247,751
	Amortization	876,852	
	Other Capital Items	-	-
	School Generated Funds	359,375	
	Other Special Purpose Funds	-	
		19,019,439	16,718,392
	Current Year Surplus (Deficit)	41,935	738,314
	Opening Accumulated Surplus	15,054,997	14,316,683
	Restatements: Tangible Cap. Assets and Accum. Amort.	[illegible]	
11	Other than Tangible Cap. Assets	76,864	0
	Opening Accumulated Surplus, as restated	1,092,201	14,316,683
	Closing Accumulated Surplus	1,134,136	15,054,997

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	41,935
Amortization of Tangible Capital Assets	876,852
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
Inventories (Increase)/Decrease	1,081
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	76,864
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	41,935
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	876,852
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	508,538
Deferred Revenue Increase/(Decrease)	199,409
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	76,864
Cash Provided by Operating Transactions	1,343,681
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	1,890,126
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	1,829,577
Cash and Bank / Overdraft (Increase)/Decrease	833,984
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Southwest Horizon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,609,850	241,516	3,785,032	99,936	3,589,100	-	6,366	-	-	29,331,800
Restatements	(255,304)	454,493	(971,752)	(23,671)	(3,548,751)	-	280,564	-	-	(4,064,421)
Opening Cost restated	21,354,546	696,009	2,813,280	76,265	40,349	-	286,930	-	-	25,267,379
Add:										
Additions during the year	1,739,009	-	172,980	-	-	-	-	-	427,285	2,339,274
Less:										
Disposals and write downs	345,471	-	-	-	-	-	-	-	-	345,471
Closing Cost	22,748,084	696,009	2,986,260	76,265	40,349	-	286,930	-	427,285	27,261,182
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,772,598	627,325	1,517,108	42,649	15,559	-	-	-		9,975,239
Opening restated	7,772,598	627,325	1,517,108	42,649	15,559	-	-	-	-	9,975,239
Add:										
Current period Amortization	602,982	12,488	240,309	13,003	8,070		-	-		876,852
Less:										
Accumulated Amortization on Disposals and Writedowns	345,471	-	-	-	-	-	-	-	-	345,471
Closing Accumulated Amortization	8,030,109	639,813	1,757,417	55,652	23,629	-	-	-	-	10,506,620
Net Tangible Capital Asset	14,717,975	56,196	1,228,843	20,613	16,720	-	286,930	-	427,285	16,754,562
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act .

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Royal Bank of Canada of $10,200,000.00 by way of overdrafts and is repayable at prime less .5% interest paid monthly. Included in the overdraft are capital projects totaling approximately $86,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-laws.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ 51,876	$ 51,876	$ -
Canadian Council Learners	$ -	18,000	-	18,000
Manitoba E-learning	$ 50,000	-	50,000	-
SHSD Teachers	$ 4,000	-	4,000	-
Special Levy	$ 3,437,691	3,673,100	3,437,691	3,673,100
	$ 3,491,691	$ 3,742,976	$ 3,543,567	$ 3,691,100

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects The debentures carry interest rates that range from 4.875% to 11.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 679,943	$ 963,071	$ 1,643,014
2009	724,675	918,340	1,643,015
2010	711,278	870,437	1,581,715
2011	734,390	825,865	1,560,255
2012	770,104	780,531	1,550,635
	$ 3,620,390	$ 4,358,244	$ 7,978,634

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to complete technology infrastructure upgrade including cabling and a new voip phone system. Loan bears 5.06% interest per annum, due in 2014 and a yearly payment of $92,124 principal and interest.

Principal and interest repayment of total other borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 66,771	$ 25,353	$ 92,124
2009	70,230	21,894	92,124
2010	73,867	18,257	92,124
2011	77,694	14,430	92,124
2012	81,716	10,408	92,124
	$ 370,278	$ 90,342	$ 460,620

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 27,261,182	$ 10,506,620	$ 16,754,562
Capital lease	-	-	-
	$ 27,261,182	$ 10,506,620	$ 16,754,562

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	925,665
	925,665
Capital Fund	
Reserve Accounts	36,383
Equity in Tangible Capital Assets	9,835
	46,218
Special Purpose Fund	
School Generated Funds	162,253
Other Special Purpose Funds	-
	162,253
Total Accumulated Surplus	$ 1,134,136

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007	
Bus reserves	36,383	-
Other reserves		
Capital Reserve	$ 36,383	

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(14,039,660)
Accumulated Amortization	-
	(14,039,660)
Special Purpose Fund	
School Generated Funds	76,864
Other Special Purpose Funds	-
	76,864
Total Restatement of Opening Accumulated Surplus	$ (13,962,796)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 46% from 2006 tax year and 54% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 6,391,954	$ 6,489,007
Receivable-Due from Municipal-Property Tax	$ 6,534,343	$ 6,490,113

13. Interest Received and Paid

The Division received interest during the year of $19,984 (previous year $10,704); interest paid during the year was $1,404,050 (previous year $676,777).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 51,325
Capital Fund	
Debenture debt interest	1,321,749
Other interest	30,976
	$ 1,404,050

The accrual portion of debenture debt interest expense of $447,221 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 11,802,867	$ 11,635,000	$ 11,406,973
Employees benefits & allowances	829,592	877,000	835,878
Services	1,823,641	1,637,086	1,822,432
Supplies, materials & minor equipment	1,579,655	1,611,794	1,621,117
Interest	1,404,050	65,000	676,777
Transfers	85,269	107,000	107,464
Payroll tax	258,138	250,000	247,751
Amortization	876,852	-	-
Other capital items	-	-	-
School generated funds	359,375	-	-
Other special purpose funds	-	-	-
	$ 19,019,439	$ 16,182,880	$ 16,718,392

15. School Generated Funds

School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $162,253.

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place, Suite 2300
Winnipeg, Manitoba
Canada R3B 0X6
Telephone +1 (204) 926 2400
Facsimile +1 (204) 944 1020

October 18, 2007

Auditors' Report

To the Chairperson and Board of Trustees,
St. James-Assiniboia School Division

We have audited the consolidated statement of financial position of **St. James-Assiniboia School Division** as at June 30, 2007, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with Canadian generally accepted accounting principles established by the public sector accounting board of the Canadian Institute of Chartered Accountants. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the public sector accounting board of the Canadian Institute of Chartered Accountants.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	965,929	965,721
	- Federal Government	101,078	99,219
	- Municipal Government	16,633,940	15,997,543
	- Other School Divisions	52,293	126,911
	- First Nations	-	-
	Accounts Receivable	59,949	75,659
	Accrued Investment Income	-	-
	Other Investments	-	
		17,813,189	17,265,053
	Liabilities		
*	Overdraft	2,080,432	3,486,904
	Accounts Payable	2,109,076	715,074
	Accrued Liabilities	3,733,545	3,600,227
*	Employee Future Benefits	719,110	-
	Accrued Interest Payable	184,450	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	4,773,477	3,505,984
*	Debenture Debt	10,075,161	9,620,857
	Other Borrowings	-	-
	School Generated Funds Liability	50,963	
		23,726,214	20,929,046
	Net Debt	(5,913,025)	(3,663,993)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,702,591	29,522,032
	Inventories	-	-
	Prepaid Expenses	293,388	182,140
		27,995,979	29,704,172
*	**Accumulated Surplus**	22,082,954	26,040,179

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	46,505,745	43,587,957
	Federal Government	9,678	17,594
	Municipal Government - Property Tax	31,345,874	29,212,495
	- Other	10,333	-
	Other School Divisions	766,171	756,286
	First Nations	27,980	29,322
	Private Organizations and Individuals	2,105,564	1,799,768
	Other Sources	1,338,271	1,046,205
	School Generated Funds	1,851,201	
	Other Special Purpose Funds	-	
		83,960,817	76,449,627
	Expenses		
	Regular Instruction	46,334,152	44,565,861
	Student Support Services	12,146,205	9,605,075
	Adult Learning Centres	-	-
	Community Education and Services	644,154	557,081
	Divisional Administration	2,808,837	2,630,019
	Instructional and Other Support Services	3,047,505	3,979,585
	Transportation of Pupils	1,245,891	1,206,405
	Operations and Maintenance	9,393,731	9,742,719
*	Fiscal - Interest	919,176	724,747
	- Other	1,313,979	1,228,222
	Amortization	1,672,991	
	Other Capital Items	-	-
	School Generated Funds	1,889,726	
	Other Special Purpose Funds	-	
		81,416,347	74,239,714
	Current Year Surplus (Deficit)	2,544,470	2,209,913
	Opening Accumulated Surplus	26,040,179	23,830,266
	Restatements: Tangible Cap. Assets and Accum. Amort.	(5,794,076)	
	Other than Tangible Cap. Assets	(707,619)	0
	Opening Accumulated Surplus, as restated	19,538,484	23,830,266
	Closing Accumulated Surplus	22,082,954	26,040,179

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,544,470
Amortization of Tangible Capital Assets	1,672,991
Acquisition of Tangible Capital Assets	(5,647,626)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(3,974,635)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(11,248)
	(11,248)
(Increase)/Decrease in Net Debt	(1,441,413)
Net Debt at Beginning of Year	(1,441,413)
Restatements Other than Tangible Cap. Assets	-
Net Debt at Beginning of Year as Restated	(1,441,413)
Net Debt at End of Year	(2,882,826)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,544,470
Non-Cash Items Included in Current Year Surplus/(Deficit)	
Amortization of Tangible Capital Assets	1,672,991
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	719,110
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	15,710
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,711,770
Deferred Revenue Increase/(Decrease)	1,267,493
School Generated Funds Liability Increase/(Decrease)	50,963
Restatements Other than Tangible Cap. Assets	
Cash Provided by Operating Transactions	6,599,794
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	454,304
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	454,304
Cash and Bank / Overdraft (Increase)/Decrease	1,406,472
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

St. James - Assiniboia School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	25,810,198	-	707,888	214,651	2,443,985	-	345,310	-	-	29,522,032
Restatements	16,761,767	5,257,904	(143,148)	(23,184)	(579,009)	345,687	7,115,044	902,242	658,948	30,296,251
Opening Cost restated	42,571,965	5,257,904	564,740	191,467	1,864,976	345,687	7,460,354	902,242	658,948	59,818,283
Add:										
Additions during the year	4,058,067	-	-	53,683	127,170	18,516	-	544,974	845,216	5,647,626
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	46,630,032	5,257,904	564,740	245,150	1,992,146	364,203	7,460,354	1,447,216	1,504,164	65,465,909
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	29,850,840	4,766,807	290,471	50,637	900,255	114,609	-	116,708	-	36,090,327
Opening restated	29,850,840	4,766,807	290,471	50,637	900,255	114,609	-	116,708	-	36,090,327
Add:										
Current period Amortization	1,032,425	47,057	56,815	42,230	305,612	70,946	-	117,906		1,672,991
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-		-	-
Closing Accumulated Amortization	30,883,265	4,813,864	347,286	92,867	1,205,867	185,555	-	234,614	-	37,763,318
Net Tangible Capital Asset	15,746,767	444,040	217,454	152,283	786,279	178,648	7,460,354	1,212,602	1,504,164	27,702,591
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1 Nature of organization and economic dependence

St. James-Assiniboia School Division (the Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2 Comparative figures

Commencing with the 2007 fiscal year, the Division adopted Public Sector Accounting Board (PSAB) standards as a result of the Financial Reporting and Accounting in Manitoba Education (FRAME) Manual being updated with PSAB standards as its basis. The standards have been applied retroactively without restatement as a cumulative adjustment to the 2007 opening accumulated surplus. The 2006 comparative figures have not been restated and are presented in accordance with the FRAME policies in effect at June 30, 2006, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

The following changes have been implemented to comply with the PSAB standard:

i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. Deferred revenue was recognized for donated tangible capital assets.

ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii) Accounting for Employee Future Benefits was adopted to recognize the Division's commitment to pay vested future benefits to its employees, including pensions and other employee future benefits.

iv) Accrued Interest Payable, and related expense, was established to account for accrual of interest on debenture debt and other borrowings from the last payment date. An equal revenue amount is set up as due from the Province as interest payable accrues on the debenture.

A summary of the impact of the restatements or opening accumulated surplus is comprised of:

	$
Operating Fund	
Employee future benefits other than pensions	(767,144)
Pension	-
	(767,144)
Capital Fund	
Tangible capital assets - net of accumulated amortization of $36,090,327	(5,794,076)
Deferred revenue	(310,362)
	(6,104,438)
Special Purpose Fund	
Cash	369,887
Total restatement of opening accumulated surplus	(6,501,695)

3 Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting entity and consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School generated funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Year end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible capital assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold $	Estimated useful life (years)
Land improvements	25,000	10
Buildings		
Bricks, mortar and steel	25,000	15 - 40
Wood frame	25,000	15 - 25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and all tangible capital assets, are recorded at historical cost. Cost includes the purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the historical cost was not known, buildings have been recorded based on the replacement value for insurance purposes as at June 30, 2005 regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue is recognized as revenue on the same basis that the related asset is amortized.

Land is recorded at historical cost when known. For land acquired prior to June 30, 2006, where historical cost was not known, land has been recorded based on values determined by the Crown Lands and Property Agency.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee future benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include a defined benefit pension plan for non-teacher employees, vacation pay and parental leave benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

i) Defined benefit pension plan

Under this plan, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the market related value of the assets. The cost of the plan is actuarially determined using the projected benefit method prorated on years of employee service, final average salary levels during specified years of employment, retirement ages of employees and other actuarial factors, together with the expected rate of return on pension plan assets. Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Past service costs, plan amendments, changes in assumptions, the cumulative unrecognized net actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average remaining service lives (13 years) of active plan members.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits expense includes the Division's contribution for the period.

g) Capital reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the Consolidated Statement of Financial Position (note 10).

h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (due from amount, accounts receivable, overdraft, accounts payable, accrued liabilities and debenture debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable and due from amounts. However, the majority of these financial assets are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values.

4 Overdraft

The Division has an authorized line of credit with The Royal Bank of Canada of $15,000,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly.

5 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	$
Employee future benefit liabilities	
Defined benefit pension plan	
Accrued employee benefit obligation	29,777,721
Deduct: Pension plan assets	32,608,228
Valuation allowance	2,830,507
	-
Maternity leave earned	104,121
Vacation payable	614,989
Total employee future benefit liability	719,110

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valuated every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (4%), and employee turnover and mortality to determine the accrued benefit obligation (includes any related interest owing). The most recent actuarial report was prepared as at December 31, 2005. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups (13 years). Pension plan assets are valued at market related values and the expected rate of return is 6%.

As at December 31, 2005, there were 423 active members, 103 deferred benefit members, and 209 pensioners receiving payments.

	$
Change in accrued benefit obligation	
Balance - beginning of year	28,045,837
Current service cost	
School Division	721,349
Employees	779,674
Interest cost	1,684,181
Benefits paid	(1,372,218)
Non-investment expenses paid	(81102)
Balance - end of year	29,777,721
Change in plan assets	
Market related value - beginning of year	30,027,914
Contributions	
School Division	764,254
Employees	779,674
Expected return on plan assets	1,804,393
Experience gain	685,313
Benefits paid	(1,372,218)
Non-investment expenses paid	(81,102)
Market related value - end of year	32,608,228
Funded status	
Plan assets greater than benefit obligation	2,830,507
Valuation allowance	(2,830,507)
Accrued benefit asset	-
Net benefit plan cost	
Current service cost - School Division	721,349
Interest cost	1,684,181
Expected return on plan assets	(1,804,393)
Valuation allowance increase	163,117
Net benefit plan expense for the year	764,254
	%
Plan assets in equities (includes real estate)	62.11
Plan assets in fixed income	37.89

	%
Significant assumptions	
Accrued benefit obligation as of June 30	
Discount rate	6.00
Rate of compensation increase	4.00
Net benefit plan cost for the year ended June 30	
Discount rate	6.00
Expected return on plan assets	6.00
Rate of compensation increase	4.00
Expected Average Remaining Service Life (EARSL)	13 years

Maternity leave earned and vacation payable are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employees' Benefits and Allowances expense account.

6 Deferred revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2007 $
Donated capital assets	-	310,362	63,171	247,191
International education student fees	148,189	68,036	148,189	68,036
Leases	11,572	11,476	11,572	11,476
Western reading recovery	-	96,180	-	96,180
Property tax	3,339,937	4,350,594	3,339,937	4,350,594
Other	6,286	-	6,286	-
	3,505,984	4,836,648	3,569,155	4,773,477

7 School generated funds liability

School generated funds liability includes the non-controlled portion of school generated funds consolidated in the overdraft balance in the amount of $50,963.

	$
Parent council funds	7,751
Other parent group funds	4,829
Students' council funds	19,640
Travel club funds	12,198
Other	6,545
	50,963

8 Debenture debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027 and is owing to public schools finance board (PSFB). Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 11.125%.

Debenture interest expense payable as at June 30, 2007, is accrued and recorded in accrued interest payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal $	Interest $	Total $
2007 - 2008	766,741	669,222	1,435,963
2008 - 2009	624,946	603,363	1,228,309
2009 - 2010	554,560	553,530	1,108,090
2010 - 2011	558,509	512,594	1,071,103
2011 - 2012	535,118	472,271	1,007,389
	3,039,874	2,810,980	5,850,854

9 Net tangible capital assets

The Schedule of Tangible Capital Assets (schedule attached) of the audited consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

A summary is as follows:

	Gross amount $	Accumulated amortization $	Net book value $
Owned-tangible capital assets	65,465,909	37,763,318	27,702,591

10 Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	$
Operating Fund	
Designated surplus	180,787
Undesignated surplus	362,851
	543,638
Capital Fund	
Reserve accounts	3,853,132
Equity in tangible capital assets	17,354,822
	21,207,954
Special Purpose Fund	
School generated funds	331,362
Total accumulated surplus	22,082,954

Designated surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

	$
School budget carryovers by board policy	180,787
Designated surplus	180,787

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB.

	$
Other reserves - Sturgeon Heights Reserve	3,853,132
Capital reserve	3,853,132

School generated funds and other special purpose funds are externally restricted monies for school use.

11 Municipal Government - property tax and related due from Municipal Government

Education property tax or special levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45.6% from 2006 tax year and 54.4% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007 $	2006 $
Gross revenue, Municipal Government - property tax	21,824,122	18,293,749
Less: Education property tax credit	(5,190,182)	(2,296,206)
Receivable, due from Municipal Government - property tax	16,633,940	15,997,543

12 Interest received and paid

The Division received interest during the year of $309,394 (2006 - $189,893); interest paid during the year was $919,176 (2006 - $724,747).

Interest expense is included in fiscal and is comprised of the following:

	$
Operating Fund	
Fiscal short-term loan, interest and bank charges	62,529
Capital Fund	
Debenture debt interest	856,647
	919,176

The accrual portion of debenture debt interest expense of $184,450 is offset by an accrual of the debt servicing grant from the Province.

13 Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007 $	Budget 2007 $ (Unaudited)	Actual 2006 $
Salaries	58,185,362	57,027,105	54,901,401
Employees' benefits and allowances	4,077,996	4,081,638	3,891,683
Services	8,182,155	8,542,178	7,730,810
Supplies, materials and minor equipment	4,591,495	5,070,151	5,169,401
Interest	62,529	30,000	10,042
Interest - debenture	856,647	659,581	714,705
Payroll tax	1,313,979	1,226,083	1,228,222
Transfers	583,467	620,353	593,450
Amortization	1,672,991	-	-
School generated funds	1,889,726	-	-
	81,416,347	77,257,089	74,239,714

14 Contractual obligations

Agreements respecting student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $700,000 for 2007-08.

15 Lease revenue

The Division recorded lease revenue of $668,100 within other services relating to various unoccupied building space. Minimum payments under the lease terms over the next four years are as follows:

	$
2008	660,441
2009	233,425
2010	162,020
2011	162,020

16 Special levy raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $241,877 (2006 - $212,116). These amounts are not included in the Division's consolidated financial statements.

BDO Dunwoody LLP
Chartered Accountants
and Advisors

478 Main Street
Selkirk, Manitoba, Canada R1A 1T8
Telephone: (204) 482-5026
Telefax: (204) 482-4469
www.bdo.ca

Auditors' Report

To the Chairperson and Board of Trustees of
Sunrise School Division

(in accordance with subsection 41(11) of the Public Schools Act)

We have audited the consolidated statement of financial position of **Sunrise School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
August 24, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	1,205,513	416,299
	Due from - Provincial Government	2,840,815	1,631,593
	- Federal Government	258,942	197,824
	- Municipal Government	10,495,505	9,795,197
	- Other School Divisions	130	21,517
	- First Nations	-	-
	Accounts Receivable	421,246	227,875
	Accrued Investment Income	-	-
	Other Investments	-	
		15,222,151	12,290,305
	Liabilities		
*	Overdraft	7,613,054	2,944,038
	Accounts Payable	1,992,272	3,903,369
	Accrued Liabilities	1,218,979	1,908,122
*	Employee Future Benefits	361,408	-
	Accrued Interest Payable	489,944	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	5
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,084,388	1,096,406
*	Debenture Debt	17,338,699	18,429,935
*	Other Borrowings	372,568	481,135
	School Generated Funds Liability	47,053	
		30,518,365	28,763,010
	Net Debt	(15,296,214)	(16,472,705)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	25,605,477	55,315,609
	Inventories	223,806	200,550
	Prepaid Expenses	340,047	164,369
		26,169,330	55,680,528
*	**Accumulated Surplus**	10,873,116	39,207,823

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	30,918,163	30,154,153
	Federal Government	15,870	8,575
	Municipal Government - Property Tax	18,365,102	16,931,674
	- Other	-	-
	Other School Divisions	102,425	120,804
	First Nations	532,874	463,821
	Private Organizations and Individuals	357,602	274,865
	Other Sources	569,255	2,283,532
	School Generated Funds	1,263,928	
	Other Special Purpose Funds	-	
		52,125,219	50,237,424
	Expenses		
	Regular Instruction	25,905,713	24,714,232
	Student Support Services	7,900,820	6,589,755
	Adult Learning Centres	939,591	1,023,917
	Community Education and Services	125,128	116,450
	Divisional Administration	1,755,571	1,532,762
	Instructional and Other Support Services	1,421,623	1,968,145
	Transportation of Pupils	3,572,756	3,479,455
	Operations and Maintenance	4,672,025	4,158,391
*	Fiscal - Interest	1,477,264	1,386,682
	- Other	738,519	731,860
	Amortization	1,556,307	
	Other Capital Items	-	328,906
	School Generated Funds	1,171,140	
	Other Special Purpose Funds	-	
		51,236,457	46,030,555
	Current Year Surplus (Deficit)	888,762	4,206,869
	Opening Accumulated Surplus	39,207,820	35,000,951
	Restatements: Tangible Cap. Assets and Accum. Amort.	(29,535,454)	
*	Other than Tangible Cap. Assets	311,988	0
	Opening Accumulated Surplus, as restated	9,984,354	35,000,951
	Closing Accumulated Surplus	10,873,116	39,207,820

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	888,762
Amortization of Tangible Capital Assets	1,556,307
Acquisition of Tangible Capital Assets	(1,381,629)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	174,678
Inventories (Increase)/Decrease	
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	864,506
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	311,988
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	888,762
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,556,307
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	361,408
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	
School Generated Funds Liability Increase/(Decrease)	47,053
Restatements Other than Tangible Cap. Assets	311,988
Cash Provided by Operating Transactions	
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Sunrise School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	44,112,863	1,098,178	6,254,439	186,023	2,297,527	-	1,366,579	-	-	55,315,609
Restatements	(1,332,157)	812,747	(37,331)	-	(2,168,701)	555,996	(1,143,906)	71,374	-	(3,241,978)
Opening Cost restated	42,780,706	1,910,925	6,217,108	186,023	128,826	555,996	222,673	71,374	-	52,073,631
Add:										
Additions during the year	198,140	-	752,833	-	55,220	216,571	-	31,904	126,961	1,381,629
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	42,978,846	1,910,925	6,969,941	186,023	184,046	772,567	222,673	103,278	126,961	53,455,260
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	20,639,681	1,230,330	4,101,184	136,541	20,981	161,191	-	3,568	-	26,293,476
Opening restated	20,639,681	1,230,330	4,101,184	136,541	20,981	161,191	-	3,568	-	26,293,476
Add:										
Current period Amortization	974,590	48,232	414,902	10,996	18,881	79,973	-	8,733		1,556,307
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	21,614,271	1,278,562	4,516,086	147,537	39,862	241,164	-	12,301	-	27,849,783
Net Tangible Capital Asset	21,364,575	632,363	2,453,855	38,486	144,184	531,403	222,673	90,977	126,961	25,605,477
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

SUNRISE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

1. Nature of Organization and Economic Dependence

The Sunrise School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its non-teaching

employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibiiity is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. **Conversion to PSAB**

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. **Bank Overdraft**

The Division has an authorized line of credit with South Interlake Credit Union of $12,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The Division under the terms of the Mobility Enhancement Plan (MEP) offered certain teaching staff a payment of $500 per month for 60 months to terminate their teachers contract of employment . The MEP Plan is not offered after July 1, 2004. The full liability owing to those in the plan has been recorded. The payments scheduled to be made are:

2008	$182,500
2009	72,500
	255,000

A liability of $106,408 for maternity/parental benefits is reflected in the financial statements.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30,2007
Education Property Tax Credit	$ 722,213	$ 4,064,910	$ 4,125,188	$ 661,935
International Student Program	176,824	167,338	176,824	167,338
North Eastman Health Authority	-	64,780	-	64,780
Capital D Grant	127,500	145,080	127,500	145,080
Grants from outside sources	64,417	23,981	46,193	42,205
Other	5,452	3,050	5,452	3,050
	$1,096,406	$ 1,051,164	$ 1,078,182	$ 1,084,388

8. School Generated Funds

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from July 1, 2006 to June 30, 2007.

9. Debenture Debt

The debenture debt of the School Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.875% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

	Total
2008	$ 2,371,630
2009	2,364,522
2010	2,001,858
2011	1,957,350
2012	1,899,081
	$ 10,594,441

10. Other Borrowings

	2007	2006
P.S.F.B., Capital Projects loan, repayable over 10 years in annual payments of $141,644 including interest at 6.875% per annum, due in 2010	$ 372,568	481,135

Required principal repayments over the next three years are estimated to be as follows:

2007	$ 116,030
2008	$ 124,007
2009	$ 132,531

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ nil (previous year $ nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 0
Undesignated Surplus	2,535,275
	2,535,275
Capital Fund	
Reserve Accounts	1,219,126
Equity in Tangible Capital Assets	6,713,939
	7,933,065
Special Purpose Fund	
School Generated Funds	404,776
Other	0
	404,776
Total Accumulated Surplus	$ 10,873,116

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	$
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets	(3,241,978)
Accumulated Amortization	(26,293,476)
	(29,535,454)
Special Purpose Fund	
School Generated Funds	311,988
Other	0
	311,988
Total Restatement of Opening Accumulated Surplus	$(29,223,466)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42.5% from 2006 tax year and 57.5% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 22,490,290	$ 20,184,120
Receivable – Due from Municipal – Property Tax	$ 10,495,505	$ 9,795,197

15. Interest Received and Paid

The Division received interest during the year of $104,942 (previous year $62,578); interest paid during the year was $1,477,264 (previous year $1,340,635).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 127,466
Capital Fund	
Debenture interest	1,280,393
Other interest	69,405
	$ 1,477,264

The accrual portion of debenture debt interest expense of $489,944 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 34,232,612	$35,382,353	$ 33,231,602
Employees benefits and allowances	2,519,469	2,649,862	2,546,377
Services	5,065,982	4,498,679	4,042,862
Supplies, materials & minor equipment	3,927,357	3,094,717	3,253,269
Interest	1,477,264	120,000	1,386,682
Bad debts	-	-	-
Payroll tax	738,519	760,000	731,860
Amortization	1,556,307	-	-
Transfers	547,807	531,600	508,997
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets	-	-	328,906
School generated funds	1,171,140	-	-
Other special purpose funds	6,057	-	-
	$ 51,236,457	$ 47,037,211	$ 46,030,555

17. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 509,737
2009	267,105
2010	94,813
2011	27,916
2012	27,916

18. Other

A legal action had been initiated against the Division by the contractor of a school built in the division. The disputed amount represents monies which have not been paid because of non-compliant and unfinished work. The Division has recorded a liability for work completed and for the holdback on this completed work ,but not for any non-compliant work performed.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Swan Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Pacak Kowal Hrabe & Company, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 29, 2007

AUDITOR'S REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

SWAN VALLEY SCHOOL DIVISION
(Name of School Division/District)

TO THE CHAIRPERSON AND MEMBERS OF THE BOARD OF TRUSTEES

We have audited the consolidated statements of financial position of the Swan Valley School Division as at 30 June 2007 and the consolidated statements of revenues, expenditures and accumulated surplus and the consolidated statements of change in net debt, and consolidated statements of cash flow. These financial statements have been prepared to comply with the standards set out in the Financial Reporting and Accounting in Manitoba Education Manual. The financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at 30 June 2007 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 3 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles established by Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and are solely for the information and use of the Board of Trustees of the Swan Valley School Division and the Manitoba Public Schools Finance Branch to comply with the Public Schools Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Swan River, Manitoba
26 October 2007

Meade Kowal Kardis + Company
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 4)
	Financial Assets		
	Cash and Bank	2,082,055	961,916
	Short Term Investments	-	-
	Due from - Provincial Government	473,394	343,981
	- Federal Government	29,727	69,093
	- Municipal Government	2,256,543	2,428,672
	- Other School Divisions	9,620	8,160
	- First Nations	-	-
	Accounts Receivable	4,320	22,960
	Accrued Investment Income	-	-
5	Other Investments	978	
		4,856,637	3,834,782
	Liabilities		
	Overdraft	-	-
	Accounts Payable	118,362	48,412
	Accrued Liabilities	1,773,290	1,512,337
7	Employee Future Benefits	71,801	-
	Accrued Interest Payable	156,482	-
	Due to - Provincial Government	26,790	22,093
	- Federal Government	14,029	812
	- Municipal Government	5,547	12,629
	- Other School Divisions	-	-
	- First Nations	3,765	-
8	Deferred Revenue	690,767	472,211
10	Debenture Debt	4,280,448	4,162,128
	Other Borrowings	-	-
	School Generated Funds Liability	3,584	
		7,144,865	6,230,622
	Net Debt		
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	6,061,381	19,541,284
	Inventories	18,842	27,837
	Prepaid Expenses	71,146	67,747
		6,151,369	19,636,868
12	**Accumulated Surplus**	3,863,141	17,241,028

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 4)
	Revenue		
	Provincial Government	12,196,945	11,692,343
	Federal Government	5,261	45,678
	Municipal Government - Property Tax	4,290,615	4,416,954
	- Other	-	-
	Other School Divisions	62,380	55,468
	First Nations	416,800	436,001
	Private Organizations and Individuals	268,051	283,473
	Other Sources	193,252	161,274
	School Generated Funds	340,048	
	Other Special Purpose Funds	23,080	
		17,796,432	17,091,191
	Expenses		
	Regular Instruction	9,574,258	9,339,460
	Student Support Services	2,645,184	2,292,049
	Adult Learning Centres	-	-
	Community Education and Services	65,688	64,072
	Divisional Administration	645,465	635,510
	Instructional and Other Support Services	341,713	537,516
	Transportation of Pupils	1,227,635	1,213,156
	Operations and Maintenance	1,755,072	1,882,558
15	Fiscal - Interest	279,974	274,119
	- Other	261,928	253,602
	Amortization	681,741	
	Other Capital Items		190,441
	School Generated Funds	323,646	
	Other Special Purpose Funds	23,080	
		17,820,885	16,682,483
	Current Year Surplus (Deficit)	(24,453)	408,708
	Opening Accumulated Surplus	17,241,028	16,832,320
	Restatements: Tangible Cap. Assets and Accum. Amort.	(13,480,431)	
13	Other than Tangible Cap. Assets	126,997	0
	Opening Accumulated Surplus, as restated	3,887,594	16,832,320
	Closing Accumulated Surplus	3,863,141	17,241,028

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(24,453)
Amortization of Tangible Capital Assets	681,741
Acquisition of Tangible Capital Assets	(682,269)
(Gain) / Loss on Sale of Tangible Capital Assets	(4,499)
Proceeds on Sale of Tangible Capital Assets	4,499
	[illegible]
Inventories (Increase)/Decrease	8,995
Prepaid Expenses (Increase)/Decrease	[illegible]
	5,596
(Increase)/Decrease in Net Debt	[illegible]
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	126,997
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(24,453)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	681,741
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,499)
Employee Future Benefits Increase/(Decrease)	71,801
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	80,622
Accounts Receivable & Accrued Income (Increase)/Decrease	18,640
Inventories and Prepaid Expenses - (Increase)/Decrease	5,596
Due to Other Organizations Increase/(Decrease)	14,597
Accounts Payable & Accrued Liabilities Increase/(Decrease)	487,385
Deferred Revenue Increase/(Decrease)	218,556
School Generated Funds Liability Increase/(Decrease)	3,584
Restatements Other than Tangible Cap. Assets	126,997
Cash Provided by Operating Transactions	1,680,567
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	4,499
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	
Cash Provided by (Applied to) Investing Transactions	
Financing Transactions	
Debenture Debt Increase/(Decrease)	118,320
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	118,320
Cash and Bank / Overdraft (Increase)/Decrease	1,120,139
Cash and Bank (Overdraft) at Beginning of Year	961,916
Cash and Bank (Overdraft) at End of Year	2,082,055

Swan Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	14,615,875	254,505	2,520,501	273,610	1,533,337	-	343,456	-	-	19,541,284
Restatements	(1,587,686)	216,060	(1)	(55,188)	(834,649)	236,210	(62,966)	-	-	(2,088,220)
Opening Cost restated	13,028,189	470,565	2,520,500	218,422	698,688	236,210	280,490	-	-	17,453,064
Add:										
Additions during the year	355,427	-	253,964		14,298	21,270	-	-	37,310	682,269
Less:										
Disposals and write downs	313,887	-	76,632	-	-	-	-	-	-	390,519
Closing Cost	13,069,729	470,565	2,697,832	218,422	712,986	257,480	280,490	-	37,310	17,744,814
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,820,441	429,089	1,504,588	170,853	346,036	121,204		-	-	11,392,211
Opening restated	8,820,441	429,089	1,504,588	170,853	346,036	121,204	-	-	-	11,392,211
Add:										
Current period Amortization	339,514	2,729	192,090	18,041	101,278	28,089	-	-		681,741
Less:										
Accumulated Amortization on Disposals and Writedowns	313,887	-	76,632	-	-	-	-	-	-	390,519
Closing Accumulated Amortization	8,846,068	431,818	1,620,046	188,894	447,314	149,293	-	-	-	11,683,433
Net Tangible Capital Asset	4,223,661	38,747	1,077,786	29,528	265,672	108,187	280,490	-	37,310	6,061,381
Proceeds from Sale of Capital Assets		-	4,499	-	-	-	-			4,499

* Includes network infrastructure.

SWAN VALLEY SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Swan Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006 07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division and funds held in the Division's Registered Charity.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the

receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class.

All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Other Investments

	2007
Swan Valley Credit Union Patronage Shares	$ 978

6. Overdraft

The Division has an authorized line of credit with TD Canada Trust of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; paid monthly. Overdrafts are secured by borrowing by-law.

7. Employee Future Benefits

The Division sponsors and administers a defined pension contribution plan. The defined contribution plan is provided to all eligible non teaching employees. Eligible employees contributed, in accordance with the plan text 7.0% to 9.0% of their eligible earnings to the plan. The Division contributions equal the employee required contributions to the plan. Some employees have exercised their right to make voluntary contributions to the plan, which are not matched by the Division. No pension liability is included in the financial statements.

A liability of $71,801 for maternity/parental and sick leave benefits is reflected in the financial statements.

8. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Healthy Child Manitoba Grant	$ 16,705	$ 42,648	$ 49,353	$ 10,000
Technical Vocational Initative Grant	-	15,000	-	15,000
Making Education Work	2,532	95,333	89,694	8,171
Education Property Tax Credit	444,850	1,195,910	1,119,260	521,500
Other Province of Manitoba Grants	4,982	66,682	56,781	14,883
Grants from outside sources	3,143	2,057	-	5,200
Charitable Scholarship and Other Fund	81,322	34,315	23,079	92,558
School Generated Funds	7,801	17,455	1,801	23,455
	$ 561,335	$ 1,469,400	$ 1,339,968	$ 690,767

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $3,584.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from July 1, 2006 to June 30, 2007.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2006 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to11.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 239,366	$ 279,482	$ 518,848
2009	257,888	260,560	518,448
2010	231,484	240,901	472,385
2011	232,121	224,338	456,459
2012	248,353	208,197	456,550
	$ 1,209,212	$1,213,478	$ 2,422,690

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $5 (previous year $ nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	124,757
Undesignated Surplus	1,390,181
	1,514,938
Capital Fund	
Reserve Accounts	429,586
Equity in Tangible Capital Assets	1,775,218
	2,204,804
Special Purpose Fund	
School Generated Funds	143,399
Other Special Purpose Funds	-
	143,399
Total Accumulated Surplus	$ 3,863,141

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	80,951
School budget carryovers by Board policy	43,806
Designated surplus	$ 124,757

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	429,586
Other reserves	-
Capital Reserve	$ 429,586

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	
Capital Fund	
Tangible Capital Assets	(2,088,220)
Accumulated Amortization	11,392,211
	(13,480,431)
Special Purpose Fund	
School Generated Funds	126,997
Other Special Purpose Funds	
	126,997
Total Restatement of Operating Accumulated Surplus	$ (13,353,434)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar

(tax) years; 45% from 2006 tax year and 55% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue - Municipal Government-Property Tax	$ 4,290,615	$ 4,416,954
Receivable - Due from Municipal-Property Tax	$ 2,256,543	$ 2,428,672

15. Interest Received and Paid

The Division received interest during the year of $86,295 (previous year $54,987); interest paid during the year was $1(previous year $14).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	279,973
Other interest	1
	$ 279,974

The accrual portion of debenture debt interest expense of $156,482 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 12,157,929	$ 12,143,395	$ 11,658,500
Employees benefits & allowances	1,125,496	1,200,099	1,110,530
Services	1,423,699	1,556,525	1,436,868
Supplies, materials & minor equipment	1,547,891	1,490,874	1,758,423
Interest	279,974	4,000	274,119
Bad debts	-	-	-
Payroll tax	261,928	262,927	253,602
Amortization	681,741	-	-
Other capital items	(4,499)	-	190,441
School generated funds	323,646	-	-
Other special purpose funds	23,080	-	-
	$ 17,820,885	$ 16,657,820	$ 16,682,483

17. Commitment

As a result of a resolution approved at the 23 April 2007 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately $283,171 during 2007/2008 year end.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Turtle Mountain School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 9, 2007

MEYERS NORRIS PENNY

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Turtle Mountain School Division

We have audited the consolidated statement of financial position of the Turtle Mountain School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports when considered in relation to the aforementioned financial statements present fairly the supplemental information shown.

Meyers Norris Penny LLP

Brandon, Manitoba
October 9, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	549,485	173,081
	- Federal Government	48,942	44,066
	- Municipal Government	2,011,777	1,929,867
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	46,894	45,261
	Accrued Investment Income	-	-
	Other Investments	-	
		2,657,098	2,192,275
	Liabilities		
5	Overdraft	473,546	25,625
	Accounts Payable	1,433,409	1,139,024
	Accrued Liabilities	5,500	6,008
	Employee Future Benefits	-	-
	Accrued Interest Payable	118,806	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	28,032	27,361
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	146,378	259,605
8	Debenture Debt	4,177,744	4,340,340
	Other Borrowings	-	-
	School Generated Funds Liability	8,022	
		6,391,437	5,797,963
	Net Debt	[illegible]	[illegible]
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	4,388,597	11,656,547
	Inventories	41,189	48,466
	Prepaid Expenses	21,853	13,000
		4,451,639	11,718,013
12	**Accumulated Surplus**	717,300	8,112,325

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	7,157,485	6,994,277
	Federal Government	-	-
	Municipal Government - Property Tax	3,449,553	3,243,572
	- Other	-	-
	Other School Divisions	31,200	32,175
	First Nations	-	-
	Private Organizations and Individuals	132,491	160,681
	Other Sources	62,470	48,146
	School Generated Funds	165,088	
	Other Special Purpose Funds	-	
		10,998,287	10,478,851
	Expenses		
	Regular Instruction	5,493,470	5,246,677
	Student Support Services	1,688,040	1,443,689
	Adult Learning Centres	167,605	176,216
	Community Education and Services	5,032	4,992
	Divisional Administration	516,185	486,884
	Instructional and Other Support Services	335,788	455,513
	Transportation of Pupils	771,692	748,696
	Operations and Maintenance	1,058,019	881,538
14	Fiscal - Interest	459,801	347,970
	- Other	157,359	157,219
	Amortization	383,767	
	Other Capital Items	3,428	200,925
	School Generated Funds	162,671	
	Other Special Purpose Funds	-	
		11,202,857	10,150,319
	Current Year Surplus (Deficit)	(204,570)	328,532
	Opening Accumulated Surplus	8,112,325	7,783,793
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,249,338)	
13	School Generated Funds	58,883	0
	Opening Accumulated Surplus, as restated	921,870	7,783,793
	Closing Accumulated Surplus	717,300	8,112,325

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	[illegible]
Amortization of Tangible Capital Assets	383,767
Acquisition of Tangible Capital Assets	[illegible]
(Gain) / Loss on Sale of Tangible Capital Assets	3,428
Proceeds on Sale of Tangible Capital Assets	2,350
	18,612
Inventories (Increase)/Decrease	7,277
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	58,883
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(204,570)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	383,767
(Gain)/Loss on Disposal of Tangible Capital Assets	3,428
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(463,199)
Accounts Receivable & Accrued Income (Increase)/Decrease	(17,436)
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,127)
Due to Other Organizations Increase/(Decrease)	671
Accounts Payable & Accrued Liabilities Increase/(Decrease)	412,683
Deferred Revenue Increase/(Decrease)	(10,000)
School Generated Funds Liability Increase/(Decrease)	8,022
Restatements Other than Tangible Cap. Assets	58,883
Cash Provided by Operating Transactions	83,258
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	2,350
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(162,509)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(162,509)
Cash and Bank / Overdraft (Increase)/Decrease	(447,921)
Cash and Bank (Overdraft) at Beginning of Year	(25,625)
Cash and Bank (Overdraft) at End of Year	(473,546)

Turtle Mountain School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	9,266,191	351,816	1,828,783	-	183,857	-	25,900	-	-	11,656,547
Restatements	(2,355,848)	228,660	-	35,194	(157,669)	-	15,051	320,207	-	(1,914,405)
Opening Cost restated	6,910,343	580,476	1,828,783	35,194	26,188	-	40,951	320,207	-	9,742,142
Add:										
Additions during the year	119,511	-	240,119	11,303	-	-	-	-	-	370,933
Less:										
Disposals and write downs	-	-	86,634	11,555	-	-	-	-	-	98,189
Closing Cost	7,029,854	580,476	1,982,268	34,942	26,188	-	40,951	320,207	-	10,014,886
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	3,738,231	352,527	1,066,885	17,976	6,398	-	-	152,916	-	5,334,933
Opening restated	3,738,231	352,527	1,066,885	17,976	6,398	-	-	152,916	-	5,334,933
Add:										
Current period Amortization	182,051	11,168	147,431	5,858	5,238	-	-	32,021		383,767
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	86,634	5,777	-	-	-	-	-	92,411
Closing Accumulated Amortization	3,920,282	363,695	1,127,682	18,057	11,636	-	-	184,937	-	5,626,289
Net Tangible Capital Asset	3,109,572	216,781	854,586	16,885	14,552	-	40,951	135,270	-	4,388,597
Proceeds from Sale of Capital Assets	-	-	2,350	-	-	-	-			2,350

* Includes network infrastructure.

TURTLE MOUNTAIN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Westoba Credit Union of $2,500,000.00 by way of overdrafts and is repayable on demand at prime less 0.5%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

Description	Balance at June 30, 2007
Provincial Education Property Tax Credit Advance	$141,478
Professional Development Seminar Prepaid	4,900
	$146,378

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $8,022.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.75%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40.5% from 2006 tax year and 59.5% from 2007 tax year. Below are the related revenue and receivable amounts:

Description	2007	2006
Revenue-Municipal Government-Property Tax	$3,449,553	$3,243,572
Receivable-Due from Municipal-Property Tax	$2,011,777	$1,929,867

11. Commitments

Agreements respecting photocopiers were entered into for terms ranging from one to four years. The cost for the lease of this equipment is $19,987 for 2007-08.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	41,361
Undesignated Surplus	264,487
	305,848
Capital Fund	
Reserve Accounts	139,299
Equity in Tangible Capital Assets	210,853
	350,152
Special Purpose Fund	
School Generated Funds	61,300
Other Special Purpose Funds	0
	61,300
Total Accumulated Surplus	$717,300

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	15,590
School budget carryovers by board policy	25,771
Designated surplus	$41,361

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	139,299
Other reserves	0
Capital Reserve	$139,299

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2007
School generated funds	61,300
Other	0
Other Special Purpose Funds	$61,300

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$0
Capital Fund	
Tangible Capital Assets	(1,914,405)
Accumulated Amortization	(5,334,933)
	($7,249,338)
Special Purpose Fund	
School Generated Funds	58,883
Other Special Purpose Funds	0
	$58,883
Total Restatement of Opening Accumulated Surplus	($7,190,455)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Interest Received and Paid

The Division received interest during the year of $17,969 (previous year $10,237); interest paid during the year was $459,801 (previous year $347,970).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$21,657
Capital Fund	
Debenture debt interest	438,144
Other interest	0
	$459,801

The accrual portion of debenture debt interest expense of $118,806 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

Description	Actual 2007	Budget 2007	Actual 2006
Salaries	$7,478,067	$7,460,106	$7,275,667
Employee benefits and allowances	588,374	497,457	540,525
Services	955,851	922,046	858,437
Supplies, materials & minor equip.	980,967	787,716	733,685
Interest	459,801	25,000	347,970
Payroll tax / Transfers	189,931	162,000	193,110
Amortization	383,767	0	0
Other capital items	3,428	0	200,925
School generated funds	162,671	0	0
Total	$11,202,857	$9,854,325	$10,150,319

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Turtle River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

November 29, 2007

MEYERS NORRIS PENNY

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Turtle River School Division

We have audited the consolidated statement of financial position of the Turtle River School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for the fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Brandon, Manitoba
November 29, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	728,046	979,569
	Short Term Investments	-	-
	Due from - Provincial Government	178,485	82,465
	- Federal Government	77,128	101,827
	- Municipal Government	1,966,264	1,934,598
	- Other School Divisions	41,086	98,331
	- First Nations	5,730	-
	Accounts Receivable	58,908	30,203
	Accrued Investment Income	-	-
	Other Investments	-	
		3,055,647	3,226,993
	Liabilities		
	Overdraft	-	-
	Accounts Payable	337,517	270,225
	Accrued Liabilities	806,420	856,719
	Employee Future Benefits	-	-
	Accrued Interest Payable	90,558	-
	Due to - Provincial Government	-	100,110
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	52,460	46,764
	- First Nations	-	-
6	Deferred Revenue	1,186,351	1,267,928
7	Debenture Debt	2,717,523	2,898,810
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		5,190,829	5,440,556
	Net Debt	(2,135,182)	(2,213,563)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	3,963,726	16,084,586
	Inventories	94,442	91,038
	Prepaid Expenses	45,371	98,435
		4,103,539	16,274,059
9	**Accumulated Surplus**	1,968,357	14,060,496

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	6,342,698	5,901,512
	Federal Government	9,734	18,587
	Municipal Government - Property Tax	2,053,989	1,692,552
	- Other	-	-
	Other School Divisions	32,500	25,350
	First Nations	107,464	71,935
	Private Organizations and Individuals	6,479	12,093
	Other Sources	27,962	12,234
	School Generated Funds	316,751	
	Other Special Purpose Funds	-	
		8,897,577	7,734,263
	Expenses		
	Regular Instruction	4,405,767	4,015,004
	Student Support Services	1,226,707	908,429
	Adult Learning Centres	-	-
	Community Education and Services	6,742	10,756
	Divisional Administration	314,618	289,463
	Instructional and Other Support Services	187,438	178,815
	Transportation of Pupils	793,988	708,021
	Operations and Maintenance	840,666	848,422
12	Fiscal - Interest	307,272	196,419
	- Other	117,378	98,651
	Amortization	408,811	
	Other Capital Items		-
	School Generated Funds	301,947	
	Other Special Purpose Funds	-	
		8,908,134	7,253,980
	Current Year Surplus (Deficit)	(10,557)	480,283
	Opening Accumulated Surplus	14,060,496	13,580,213
10	Restatements: Tangible Cap. Assets and Accum. Amort.	(12,153,937)	
10	Other than Tangible Cap. Assets	72,355	0
	Opening Accumulated Surplus, as restated	1,978,914	13,580,213
	Closing Accumulated Surplus	1,968,357	14,060,496

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(10,557)
Amortization of Tangible Capital Assets	408,811
Acquisition of Tangible Capital Assets	(441,588)
(Gain) / Loss on Sale of Tangible Capital Assets	(3,200)
Proceeds on Sale of Tangible Capital Assets	3,200
	(32,777)
Inventories (Increase)/Decrease	(3,404)
Prepaid Expenses (Increase)/Decrease	53,064
	49,660
(Increase)/Decrease in Net Debt	6,026
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	72,355
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	408,811
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	49,660
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	107,551
Deferred Revenue Increase/(Decrease)	
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	72,355
Cash Provided by Operating Transactions	368,452
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	3,200
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	979,569
Cash and Bank (Overdraft) at End of Year	728,046

Turtle River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	12,877,804	146,234	2,161,581	29,064	869,903	-	-	-	-	16,084,586
Restatements	(4,499,262)	264,958	(718,765)	30,584	(828,764)	66,492	37,325	-	-	(5,647,432)
Opening Cost restated	8,378,542	411,192	1,442,816	59,648	41,139	66,492	37,325	-	-	10,437,154
Add:										
Additions during the year	155,565	-	250,003	36,320	-	-	-	-	-	441,888
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	8,534,107	411,192	1,692,819	95,968	41,139	66,492	37,325	-	-	10,879,042
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,385,290	411,192	634,023	24,011	11,979	40,010	-	-	-	6,506,505
Opening restated	5,385,290	411,192	634,023	24,011	11,979	40,010	-	-	-	6,506,505
Add:										
Current period Amortization	211,616	-	156,782	15,562	8,228	16,623	-	-		408,811
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	5,596,906	411,192	790,805	39,573	20,207	56,633	-	-	-	6,915,316
Net Tangible Capital Asset	2,937,201	-	902,014	56,395	20,932	9,859	37,325	-	-	3,963,726
Proceeds from Sale of Capital Assets	-	-	3,200	-	-	-	-			3,200

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds.
All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MAST (Manitoba Association of School Trustees) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representative. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an operating $1,000,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #151) The Division does not receive any 2007 property taxation until October 31 each year.

In addition small capital projects are funded out of the operating fund.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Municipal Revenue	$1,050,643	$921,770	$1,050,643	$921,770
Eduction Property Tax Credit	217,285	264,581	217,285	264,581
	$ 1,267,928	$ 1,186,351	$ 1,267,928	$ 1,186,351

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 196,543	$ 201,458	$ 398,001
2009	213,138	184,863	398,001
2010	225,589	166,807	392,396
2011	244,631	147,765	392,396
2012	257,790	127,050	384,840
	$ 1,137,691	$ 827,943	$ 1,965,634

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was Snil.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 10,879,042	$ 6,915,316	$ 3,963,726
Capital lease	-	-	-
	$ 10,879,042	$ 6,915,316	$ 3,963,726

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	58,535
Undesignated Surplus	329,874
	388,409
Capital Fund	
Reserve Accounts	417,493
Equity in Tangible Capital Assets	1,075,296
	1,492,789
Special Purpose Fund	
School Generated Funds	87,159
Other Special Purpose Funds	-
	87,159
Total Accumulated Surplus	$ 1,968,357

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	42,390
School budget carryovers by board policy	16,145
Designated surplus	$ 58,535

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	417,493
Other reserves	-
Capital Reserve	$ 417,493

10. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,647,432)
Accumulated Amortization	6,506,505
	(12,153,937)
Special Purpose Fund	
School Generated Funds	72,355
Other Special Purpose Funds	-
	72,355
Total Restatement of Opening Accumulated Surplus	$ (12,081,582)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2006 tax year and 50% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 2,053,989	$ 1,692,552
Receivable-Due from Municipal-Property Tax	$ 1,966,264	$ 1,934,598

12. Interest Received and Paid

The Division received interest during the year of $27,962 (previous year $12,234); interest paid during the year was $307,272 (previous year $196,419).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	307,272
Other interest	-
	$ 307,272

The accrual portion of debenture debt interest expense of $90,558 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 5,535,720	$ 5,441,746	$ 4,783,649
Employees benefits & allowances	431,231	470,370	356,958
Services	921,802	818,423	996,119
Supplies, materials & minor equipment	724,481	743,965	706,848
Interest	307,272	8,500	196,419
Transfers	162,692	135,100	115,336
Payroll tax	117,378	106,433	98,651
Amortization	408,811	-	-
Other capital items	(3,200)	-	-
School generated funds	301,947	-	-
Other special purpose funds	-	-	-
	$ 8,908,134	$ 7,724,537	$ 7,253,980

WESTERN
School Division
Morden, Manitoba

"Rooted In Caring;
Committed To Learning"

215-12th Street
Morden, Manitoba
R6M 1X4

Phone (204) 822-4448
Fax (204) 822-4262
E-mail: divoff@westernsd.mb.ca
www.westernsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Western School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Gislason Targownik Peters, Certified General Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 5, 2007

Board of Trustees: Brian Fransen, Ken Klassen, Connie Lautenschlager, Dave McAndrew, Barb Perboa

STEPHEN ROSS
Superintendent / CEO

CARL PEDERSEN
Secretary / Treasurer

CYNDY KUTZNER
Assistant Superintendent

ROGER WORMS
Operations

gtp Gislason Targownik Peters
Certified General Accountants
720 Norquay Drive • Box 2430 • Winkler • Manitoba R6W 4C1 • Tel: (204) 325-7579 • Fax (204) 325-7219

AUDITORS' REPORT

To the board of trustees
Western School Division

We have audited the Consolidated Statement of Financial Position for the Operating Fund, Capital Fund and Special Fund of Western School Division as at June 30, 2007, and the Consolidated Statements of Revenue, Expenses and Accumulated Surplus and Cash Flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2007 and the results of operations and cash flow of the organization for the year then ended, in accordance with Canadian generally accepted accounting principles.

The previous report dated October 5, 2007 has been withdrawn and the financial statements have been revised. Management discovered a misstatement in the costs recorded for certain capital assets and a misclassification of certain operating fund expenses. The effect of the correction of the misstatements was an increase in Net Tangible Capital Assets and Capital Fund Equity of $1,579,213 respectively, as well as an increase in the Operating Fund for Divisional Administration expense of $16,879 and a corresponding decrease in Operations and Maintenance expense.

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
August 7, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
5	Short Term Investments	744,690	-
	Due from - Provincial Government	351,034	741,104
	- Federal Government	37,519	76,243
	- Municipal Government	2,148,483	1,774,233
	- Other School Divisions	72,911	-
	- First Nations	-	-
	Accounts Receivable	28,865	36,269
	Accrued Investment Income	25,546	-
	Other Investments	-	
		3,409,048	2,627,849
	Liabilities		
6	Overdraft	376,332	2,409,137
	Accounts Payable	389,900	150,784
	Accrued Liabilities	119,661	422,620
	Employee Future Benefits	-	-
	Accrued Interest Payable	165,955	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	158,244	-
	- First Nations	-	-
7	Deferred Revenue	1,802,796	110,105
8	Debenture Debt	4,348,074	4,749,858
9	Other Borrowings	438,172	-
10	School Generated Funds Liability	70,265	
		7,869,399	7,842,504
	Net Debt		
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	6,194,078	14,117,858
	Inventories	-	-
	Prepaid Expenses	30,270	7,380
		6,224,348	14,125,238
12	**Accumulated Surplus**	1,763,997	8,910,583

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	9,216,548	8,649,946
	Federal Government	137,242	126,632
	Municipal Government - Property Tax	3,796,742	2,967,524
	- Other	3,200	3,200
	Other School Divisions	16,900	25,350
	First Nations	-	-
	Private Organizations and Individuals	256,298	206,405
	Other Sources	5,670	20,572
	School Generated Funds	44,480	
	Other Special Purpose Funds	-	
		13,477,080	11,999,629
	Expenses		
	Regular Instruction	7,250,619	6,882,562
	Student Support Services	1,329,898	1,191,023
	Adult Learning Centres	325,242	341,173
	Community Education and Services	144,177	231,652
	Divisional Administration	429,379	423,226
	Instructional and Other Support Services	418,514	592,137
	Transportation of Pupils	463,329	419,516
	Operations and Maintenance	1,188,107	1,245,924
14	Fiscal - Interest	619,515	467,335
	- Other	199,687	180,998
	Amortization	471,216	
	Other Capital Items		-
	School Generated Funds	45,573	
	Other Special Purpose Funds	-	
		12,884,255	11,975,546
	Current Year Surplus (Deficit)	592,824	24,083
	Opening Accumulated Surplus	8,910,583	8,886,500
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,742,903)	
15	Other than Tangible Cap. Assets	3,492	0
	Opening Accumulated Surplus, as restated	1,171,172	8,886,500
	Closing Accumulated Surplus	1,763,997	8,910,583

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	592,824
Amortization of Tangible Capital Assets	471,216
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,000
	180,878
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	750,812
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	3,492
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	592,824
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	471,216
(Gain)/Loss on Disposal of Tangible Capital Assets	
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	158,244
Accounts Payable & Accrued Liabilities Increase/(Decrease)	102,112
Deferred Revenue Increase/(Decrease)	1,692,691
School Generated Funds Liability Increase/(Decrease)	70,265
Restatements Other than Tangible Cap. Assets	3,492
Cash Provided by Operating Transactions	2,285,755
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	1,000
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	438,172
Cash Provided by (Applied to) Financing Transactions	36,388
Cash and Bank / Overdraft (Increase)/Decrease	2,032,805
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Western School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	11,392,544	335,488	1,054,032	-	740,340	-	595,454	-	-	14,117,858
Restatements	(528,516)	74,172	-	28,992	(662,593)	279,459	(89,255)	-	9,204	(888,538)
Opening Cost restated	10,864,028	409,660	1,054,032	28,992	77,747	279,459	506,199	-	9,204	13,229,320
Add:										
Additions during the year	-	-	173,747	-	19,058	-	27,518	-	70,015	290,338
Less:										
Disposals and write downs	-	-	47,000	-	-	-	-	-	-	47,000
Closing Cost	10,864,028	409,660	1,180,779	28,992	96,805	279,459	533,717	-	79,218	13,472,659
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,770,881	167,956	718,669	17,243	16,947	162,669	-	-	-	6,854,365
Opening restated	5,770,881	167,956	718,669	17,243	16,947	162,669	-	-	-	6,854,365
Add:										
Current period Amortization	301,347	13,494	80,340	2,611	17,455	55,969	-	-		471,216
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	47,000	-	-	-	-	-	-	47,000
Closing Accumulated Amortization	6,072,228	181,450	752,009	19,854	34,402	218,638	-	-	-	7,278,581
Net Tangible Capital Asset	4,791,800	228,210	428,770	9,138	62,403	60,821	533,717	-	79,218	6,194,078
Proceeds from Sale of Capital Assets	-	-	1,000	-	-	-	-			1,000

* Includes network infrastructure.

WESTERN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

j) Comparative figures

The comparative figures shown on the financial statements have been prepared by another accounting firm.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements.

(iii) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Short Term Investments

Short term investments consist of guaranteed investment certificates that mature within one year. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $744,690 (last year $Nil); investment income earned during the year was $25,546 (last year $Nil).

6. Overdraft

The Division has an authorized line of credit with Agassiz Credit Union Limited of $2,800,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ 17,257	$ 43,908	$ 36,069	$ 25,096
Education & Property Tax Credit	-	474,987	-	474,987
International Education Tuition	31,950	-	31,950	-
Other	60,408	-	32,839	27,569
Restricted Capital Fund Donation		1,275,144		1,275,144
	$ 109,615	$ 1,794,039	$ 100,858	$ 1,802,796

The Restricted Capital Fund Donation consists of a donation the Division received for the specific purpose of the construction of a building. The donation is externally restricted by the donor for this purpose. The assets corresponding to these funds are a guaranteed investment certificate of $744,690, accrued interest receivable of $25,546 and a savings account of $504,908 for a total of $1,275,145.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2010 to 2025. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.75% to 11.875%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008	$ 440,214	$ 374,982	$ 815,196
2009	482,409	332,787	815,196
2010	528,746	286,450	815,196
2011	581,337	235,558	616,895
2012	373,513	201,216	574,729
	$ 2,206,219	$ 1,430,993	$ 3,637,212

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2007	2006
Property loan	$ 438,172	$ -
	$ 438,172	$ -

The property loan has prime less 0.5% interest per annum, due in 2017 and a monthly payment of $4,885 principal and interest. This loan is secured by way of a demand promissory note.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 34,326	$ 24,300	$ 58,626
2009	36,353	22,273	58,626
2010	38,499	20,127	58,626
2011	40,772	17,854	58,626
2012	43,179	15,447	58,626
	$ 193,129	$ 100,001	$ 293,130

10. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $70,265

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 13,472,659	$ 7,278,581	$ 6,194,078
	$ 13,472,659	$ 7,278,581	$ 6,194,078

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	675,110
	675,110
Capital Fund	
Reserve Accounts	8,839
Equity in Tangible Capital Assets	1,077,649
	1,086,488
Special Purpose Fund	
School Generated Funds	2,399
Other Special Purpose Funds	-
	2,399
Total Accumulated Surplus	$ 1,763,997

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2007
Bus reserves	8,839
Other reserves	-
Capital Reserve	$ 8,839

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,796,742	$ 2,967,524
Receivable-Due from Municipal-Property Tax	$ 2,148,483	$ 1,774,233

14. Interest Received and Paid

The Division received interest during the year of $9,591 (previous year $Nil); interest paid during the year was $453,561 (previous year $467,336).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 32,434
Capital Fund	
Debenture debt interest	579,367
Other interest	7,714
	$ 619,515

The accrual portion of debenture debt interest expense of $165,955 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	13,229,320
Accumulated Amortization	6,854,365
	6,374,955
Special Purpose Fund	
School Generated Funds	(3,492)
Other Special Purpose Funds	-
	(3,492)
Total Restatement of Opening Accumulated Surplus	$ 6,371,463

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 8,991,723	$ 8,914,544	$ 8,655,281
Employees benefits & allowances	628,227	641,532	610,081
Services	1,042,371	1,073,186	1,063,300
Supplies, materials & minor equipment	750,762	881,355	841,513
Interest	619,514	433,412	467,335
Payroll tax	199,687	181,903	180,998
Amortization	471,216	-	-
Other capital items	(1,000)	-	-
School generated funds	45,572	-	-
Transfers	130,183	129,300	156,950
	$ 12,884,255	$ 12,255,232	$ 11,975,546

17. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises at $3,333 per month expiring November 2008.

The minimum annual lease payments for the next two years are as follows:

2008	$40,000
2009	$13,333

A sublet agreement has been entered into for a portion of these premises. The sublet pays $1,013 per month to the Division expiring November 2008.

Collins Barrow

Chartered Accountants

400 Century Plaza
One Lombard Place
Winnipeg, Manitoba
R3B 0X6

T. 204 942 0221
F. 204 944 8371

Auditors' Report

To the Chairperson and Trustees
Whiteshell School District

We have audited the Consolidated Statement of Financial Position for the Whiteshell School District as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, certain revenues are not susceptible to complete audit verification for completeness. Accordingly, our verification of these items for the year was limited to the amounts recorded in the District and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and net financial assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school district as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school boards in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
August 23, 2007

Collins Barrow

CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	684,422	555,104
	Short Term Investments	-	-
	Due from - Provincial Government	111,338	142,997
	- Federal Government	9,391	12,858
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	82	482
	Accrued Investment Income	-	-
	Other Investments	-	
		805,233	711,441
	Liabilities		
	Overdraft	-	-
	Accounts Payable	341,855	344,209
	Accrued Liabilities	-	9,205
	Employee Future Benefits	-	-
	Accrued Interest Payable	9,626	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	257,583	197,180
*	Debenture Debt	238,989	289,753
*	Other Borrowings	175,000	200,000
	School Generated Funds Liability	-	
		1,023,053	1,040,347
	Net Debt		
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	1,308,109	3,426,815
	Inventories	-	-
	Prepaid Expenses	-	-
		1,308,109	3,426,815
*	**Accumulated Surplus**	1,090,289	3,097,909

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	1,107,151	1,050,926
	Federal Government	-	-
	Municipal Government - Property Tax	1,583,423	1,555,944
	- Other	-	-
	Other School Divisions	47,450	40,300
	First Nations	-	-
	Private Organizations and Individuals	805	6,542
	Other Sources	26,571	12,821
	School Generated Funds	53,463	
	Other Special Purpose Funds	-	
		2,818,863	2,666,533
	Expenses		
	Regular Instruction	1,636,143	1,577,291
	Student Support Services	469,102	340,484
	Adult Learning Centres	-	-
	Community Education and Services	5,000	6,557
	Divisional Administration	107,050	117,078
	Instructional and Other Support Services	43,636	130,178
	Transportation of Pupils	26,847	28,873
	Operations and Maintenance	308,445	317,465
*	Fiscal - Interest	31,474	33,832
	- Other	43,360	38,980
	Amortization	67,471	
	Other Capital Items	-	-
	School Generated Funds	55,095	
	Other Special Purpose Funds	-	
		2,793,623	2,590,738
	Current Year Surplus (Deficit)	25,240	75,795
	Opening Accumulated Surplus	3,097,909	3,022,114
*	Restatements: Tangible Cap. Assets and Accum. Amort.	(2,051,235)	
	Other than Tangible Cap. Assets	18,375	0
	Opening Accumulated Surplus, as restated	1,065,049	3,022,114
	Closing Accumulated Surplus	1,090,289	3,097,909

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	25,240
Amortization of Tangible Capital Assets	67,471
Acquisition of Tangible Capital Assets	-
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	67,471
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	-
	0
(Increase)/Decrease in Net Debt	92,711
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	18,375
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	25,240
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	67,471
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	35,126
Accounts Receivable & Accrued Income (Increase)/Decrease	400
Inventories and Prepaid Expenses - (Increase)/Decrease	-
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	60,403
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	18,375
Cash Provided by Operating Transactions	205,082
Capital Transactions	
Acquisition of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	0
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	129,318
Cash and Bank (Overdraft) at Beginning of Year	555,104
Cash and Bank (Overdraft) at End of Year	684,422

Whiteshell School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	3,239,378	-	-	-	187,437	-	-	-	-	3,426,815
Restatements	(237,377)	-	-	-	(187,437)	-	15,400	-	-	(409,414)
Opening Cost restated	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401
Add:										
Additions during the year	-	-	-	-	-	-	-	-	-	-
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	1,641,821	-	-	-	-	-	-	-	-	1,641,821
Opening restated	1,641,821	-	-	-	-	-	-	-	-	1,641,821
Add:										
Current period Amortization	67,471	-	-	-	-	-	-	-		67,471
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,709,292	-	-	-	-	-	-	-	-	1,709,292
Net Tangible Capital Asset	1,292,709	-	-	-	-	-	15,400	-	-	1,308,109
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School District (District) is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District would not be able to continue its operations.

2. Comparative Figures

The District adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the District followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the District.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the District to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the District.

3. Significant Accounting Policies - Continued

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the District to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description:	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the District where further information was available.

3. **Significant Accounting Policies - Continued**

e) Tangible Capital Assets - continued

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), may be set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, accounts payable, accrued interest payable, deferred revenue and long-term debt) that may affect the amount, timing and certainty of future cash flows. The District is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

i. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the District.

ii. The Employee Future Benefits Liability was established to account for the District's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The District applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

iii. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The District has an authorized line of credit with The South Interlake Credit Union Limited of $250,000 by way of overdrafts and is repayable on demand at prime plus .50%. Interest is paid monthly. $250,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

7. Debenture Debt

The debenture debt of the District is in the form of one ten-year debenture payable, principal and interest, in ten equal yearly installments and maturing June 15, 2011. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debenture carries interest at 6.625% . Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and is funded by the Operating Fund as an annual transfer. The debenture principal and interest repayments in the next four years are:

	Principal	Interest	Total
2008	$ 54,127	$ 15,833	$ 69,960
2009	57,713	12,247	69,690
2010	61,537	8,423	69,690
2011	65,613	4,347	69,690
	$238,990	$ 40,850	$278,760

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to finance a boiler replacement project.

The loan bears interest at 6.50% per annum, due in 2013 and an annual payment of $25,000 principal plus interest. This loan is secured by way of a borrowing By-law.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 25,000	$ 11,375	$ 36,375
2009	25,000	9,750	34,750
2010	25,000	8,125	33,125
2011	25,000	6,500	31,500
2012	25,000	4,875	29,875
	$ 125,000	$ 40,625	$ 165,625

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$3,017,401	$1,709,292	$1,308,109
Capital lease			
	$3,017,401	$1,709,292	$1,308,109

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 0	$ 0
Undesignated Surplus	189,000	169,998
	189,000	169,998
Capital Fund		
Reserve Accounts	0	0
Equity in Tangible Capital Assets	884,546	2,927,911
	884,546	2,927,911
Special Purpose Fund		
School Generated Funds	16,743	
Other Special Purpose Funds	0	
	16,743	-
Total Accumulated Surplus	$1,090,289	$3,097,909

10. Accumulated Surplus - continued

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(409,414)
Accumulated Amortization	(1,641,821)
	(2,051,235)
Special Purpose Fund	
School Generated Funds	18,375
Other Special Purpose Funds	0
	18,375
Total Restatement of Operating Accumulated Surplus	$(2,032,860)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the students resident in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44% from 2006 tax year and 56% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$1,583,423	$1,555,944
Receivable-Due from Municipal-Property Tax	$ 0	$ 0

13. Interest Received and Paid

The District received interest during the year of $22,108 (previous year $12,289); interest paid during the year was $31,474 (previous year $33,832).

Interest expense is included in Fiscal and is comprised of the following:

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 85	$ 42
Capital Fund		
Debenture debt interest	19,847	22,350
Other interest	11,542	11,440
	$ 31,474	$ 33,832

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
Salaries	$1,977,993	$1,942,610	$1,878,176
Employees benefits and allowances	131,155	113,284	125,759
Services	360,051	377,673	373,678
Supplies, materials and minor equipment	117,278	111,013	133,014
Interest	31,474	0	33,832
Bad debts	-	-	-
Payroll tax	43,360	16,000	38,980
Transfers	3,746	109,000	7,299
Amortization	67,471		
Loss (Gain) and disposal of capital assets	0		
School generated funds	55,095		
Other special purpose funds	0		
	$2,793,623	$2,669,580	$2,590,738

15. Budget Figures and Non Financial Information

The 2007 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary Treasurer

September 14, 2007

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of The Winnipeg School Division as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 14, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
(6)	Short Term Investments	2,305,005	2,274,363
	Due from - Provincial Government	8,964,509	5,240,801
	- Federal Government	1,038,491	686,635
	- Municipal Government	64,570,962	65,567,300
	- Other School Divisions	1,104,663	2,179,778
	- First Nations	925,907	926,609
	Accounts Receivable	1,352,674	1,295,870
	Accrued Investment Income	7,525	-
	Other Investments	3,112,585	
		83,382,321	78,171,356
	Liabilities		
(5)	Overdraft	15,013,469	14,842,967
	Accounts Payable	5,472,523	6,228,833
	Accrued Liabilities	8,771,860	9,210,955
(7)	Employee Future Benefits	3,551,483	-
	Accrued Interest Payable	2,606,214	-
	Due to - Provincial Government	2,808,803	2,727,766
	- Federal Government	13,552,847	13,565,904
	- Municipal Government	-	-
	- Other School Divisions	437,882	414,453
	- First Nations	-	-
(8)	Deferred Revenue	9,843,161	7,275,782
(10)	Debenture Debt	78,062,285	81,815,444
	Other Borrowings	-	-
	School Generated Funds Liability	1,946,196	
		142,066,723	136,082,104
	Net Debt	(58,684,402)	(57,910,748)
	Non-Financial Assets		
(3)	Net Tangible Capital Assets (TCA Schedule)	108,175,174	253,411,166
	Inventories	1,062,198	778,592
	Prepaid Expenses	614,718	692,796
		109,852,090	254,882,554
	Accumulated Surplus	51,167,688	196,971,806

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	193,183,943	181,882,542
	Federal Government	9,822	16,625
	Municipal Government - Property Tax	107,087,925	106,841,426
	- Other	435,652	520,009
	Other School Divisions	2,183,800	2,166,143
	First Nations	2,491,990	2,369,748
	Private Organizations and Individuals	967,011	1,046,964
	Other Sources	1,634,521	2,366,445
	School Generated Funds	1,340,103	
	Other Special Purpose Funds	204,800	
		309,539,567	297,209,902
	Expenses		
	Regular Instruction	156,824,627	151,428,229
	Student Support Services	62,543,656	55,968,091
	Adult Learning Centres	266,203	275,000
	Community Education and Services	6,591,406	5,964,285
	Divisional Administration	7,866,218	7,706,243
	Instructional and Other Support Services	9,418,735	13,525,850
	Transportation of Pupils	4,044,924	3,911,560
	Operations and Maintenance	39,713,263	38,502,140
	Fiscal - Interest	9,012,066	6,779,965
	- Other	4,946,213	4,732,422
	Amortization	5,152,459	
	Other Capital Items	-	31,330
	School Generated Funds	1,324,650	
	Other Special Purpose Funds	239,497	
		307,943,917	288,825,115
	Current Year Surplus (Deficit)	1,595,650	8,384,787
	Opening Accumulated Surplus	196,971,806	188,587,019
(4)	Restatements: Tangible Cap. Assets and Accum. Amort.	(148,153,250)	
(4)	Other than Tangible Cap. Assets	753,482	0
	Opening Accumulated Surplus, as restated	49,572,038	188,587,019
	Closing Accumulated Surplus	51,167,688	196,971,806

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,595,650
Amortization of Tangible Capital Assets	5,152,459
Acquisition of Tangible Capital Assets	(8,069,717)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(2,917,258)
Inventories (Increase)/Decrease	(282,000)
Prepaid Expenses (Increase)/Decrease	78,078
	(203,922)
(Increase)/Decrease in Net Debt	(1,525,530)
Net Debt at Beginning of Year	(2,041,012)
Restatements Other than Tangible Cap. Assets	753,482
Net Debt at Beginning of Year as Restated	(1,287,530)
Net Debt at End of Year	(2,813,060)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,595,650
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	5,152,459
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	3,551,483
Short Term Investments (Increase)/Decrease	
Due from Other Organizations (Increase)/Decrease	
Accounts Receivable & Accrued Income (Increase)/Decrease	
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	91,409
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,410,809
Deferred Revenue Increase/(Decrease)	2,567,379
School Generated Funds Liability Increase/(Decrease)	1,946,196
Restatements Other than Tangible Cap. Assets	753,482
Cash Provided by Operating Transactions	14,764,959
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	
Cash Provided by (Applied to) Investing Transactions	
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	
Cash and Bank (Overdraft) at Beginning of Year	
Cash and Bank (Overdraft) at End of Year	

Winnipeg School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	220,175,855	3,137,701	5,582,649	227,337	6,752,512	-	17,535,112	-	-	253,411,166
Restatements	(54,582,184)	1,382,837	(1,725,199)	31,328	(3,813,037)	603,446			564,351	(57,538,458)
Opening Cost restated	165,593,671	4,520,538	3,857,450	258,665	2,939,475	603,446	17,535,112	-	564,351	195,872,708
Add:										
Additions during the year	5,509,927	4,577	1,652,599	62,654	416,854	128,457	70,386	251,598	(27,335)	8,069,717
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	171,103,598	4,525,115	5,510,049	321,319	3,356,329	731,903	17,605,498	251,598	537,016	203,942,425
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	83,771,312	2,866,215	2,536,306	129,091	1,007,731	304,137	-	-		90,614,792
Opening restated	83,771,312	2,866,215	2,536,306	129,091	1,007,731	304,137	-	-	-	90,614,792
Add:										
Current period Amortization	4,062,402	79,162	468,375	57,998	382,309	89,633	-	12,580		5,152,459
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	87,833,714	2,945,377	3,004,681	187,089	1,390,040	393,770	-	12,580	-	95,767,251
Net Tangible Capital Asset	83,269,884	1,579,738	2,505,368	134,230	1,966,289	338,133	17,605,498	239,018	537,016	108,175,174
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of organization and economic dependence:

The Winnipeg School Division (Division) is a public education system that provides educational services for students in nursery to grade 12 residing primarily within its designated boundaries.

The Division is economically dependent on the Province of Manitoba for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

The Division is exempt from income tax under the *Income Tax Act*.

2. Comparative figures:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the consolidated statements of revenue, expenses and accumulated surplus. The 2006 figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB. Changes implemented to comply with PSAB standards are listed in note 4.

3. Significant accounting policies.

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division, school generated funds and The Children's Heritage Fund.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

Margaret Crawford Fund:

The Division administers the Margaret H. Crawford Trust Fund, a bequest fund that was established in 1954 which awards bursaries to students in vocational programming. Total funds under administration as at December 31, 2006 were $575,404 (2005 - $554,950).

School scholarship funds:

Certain schools in the Division administer trust funds for the specific purpose of awarding scholarships to students. As at June 30, 2007 funds on hand in these schools for this purpose totaled $151,886 (2006 - $173,403).

3. Significant accounting principles (continued).

Funds under administration:

The Division administers certain programs at the request of third parties. As the Division does not rely on receipt of these monies to operate its mandated educational programming, the related receipts and disbursements of $751,655 have not been included in these consolidated financial statements.

(c) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and the Children's Heritage Fund controlled by the Division.

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the delivery of certain programs and services or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division in operations and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset, other than land, must meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
Network infrastructure	25,000	10
Leasehold improvements	25,000	Over term of the lease
School buses	20,000	10
Vehicles	10,000	5
Computer software	10,000	4
Equipment	5,000	5
Computer hardware, services and peripherals	5,000	4
Furniture and fixtures	5,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

3. Significant accounting principles (continued).

Buildings are recorded at historical cost. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Other future benefits.

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

3. Significant accounting principles (continued).

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual subsequent results could differ from these estimates.

4. Conversion to PSAB:

Commencing with the 2006/07 fiscal year, school divisions in Manitoba have adopted generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. As explained in note 2 the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standards:

(i) The net book value of tangible capital assets at the beginning of the fiscal year has been recalculated as if these assets had been amortized over their useful lives. The difference between this value and the previously reported book value is recorded as a cumulative adjustment to opening accumulated surplus. Amortization of tangible capital assets and gain or loss on disposal of capital assets for the current fiscal year is recorded in the statement of revenue, expenses and accumulated surplus. As a result, opening accumulated surplus has been restated and reduced by $148,153,250.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund have been combined in the consolidated financial statements. The Special Purpose Fund was created to consolidate on a prospective basis the Children's Heritage Fund and school generated funds (note 9), controlled by the Division. As a result, opening accumulated surplus has been restated and increased by $4,275,869.

(iii) The liability for employee future benefits at the beginning of the fiscal year has been actuarially determined and recorded as a cumulative adjustment to the opening accumulated surplus as if the related transactions had been recorded from their origin. Employee future benefits expense for the current fiscal year is recorded in the consolidated statement of revenue, expense and accumulated surplus. As a result, opening accumulated surplus has been restated and decreased by $3,443,100.

(iv) In the current fiscal year, accrued interest payable was established to accrue interest on debenture debt and other borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable.

5. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $55,000,000. As at June 30, 2007 $15,000,000 of the authorized overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at rates ranging from 4.98 percent to 5.01 percent, due July 2007.

5. Overdraft (continued):

Included in the overdraft are capital projects totaling approximately $472,675 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing By-Law No. 1141.

6. Short-term investments:

Short-term investments consist of Federal, Provincial and Corporate bonds and debentures, mortgage backed securities, and equity investments. All short-term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short-term investments was $2,305,005 (2006 - $2,195,076, net of PSAB related adjustments of $79,287); investment income earned during the year was $109,991 (2006 - $51,460).

7. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

(i) Benefit plans:

Employees eligible for the pension plan are required to contribute a percentage of earnings in accordance with the following schedule:

Year	Pensionable salary	Excess pensionable salary
2006	5.50%	7.00%
2007	6.00%	7.40%
2008	6.50%	7.80%
2009	7.00%	8.20%

The School Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

The benefit plans are actuarially valued every two years. The most recent actuarial report was prepared on December 31, 2006.

Information about the Division's benefit plans in aggregate, is as follows:

Benefit plan assets:	
Fair value, beginning of year	$ 231,935,530
Expected return	14,378,818
Actuarial investment gain (loss)	(3,593,274)
Employer contributions	4,215,430
Employee contributions	3,308,815
Benefits paid	(11,963,925)
Fair value, end of year	$ 238,281,394

7. Employee future benefits (continued):

Accrued benefit plan obligations:	
Balance, beginning of year	$ 199,315,982
Current service costs	8,659,136
Interest costs	13,297,262
Benefits paid	(11,963,925)
Actuarial gain/loss	11,346,699
Balance, end of year	$ 220,655,154
Surplus of plan assets versus plan obligations	$ 17,626,240
Unamortized net actuarial gain/loss	$ 14,939,973
Benefit plan surplus	17,626,240
Less: valuation allowance	(32,566,213)
Net accrued benefits plan asset	$ –

Pursuant to the Division's by-laws it does not have any access to any benefit plan surplus. As such, a valuation allowance has been recorded to offset the benefit plan asset.

Included in the accrued benefit plan obligations and the fair value of benefit plan assets at year end are amounts in respect of the Disability Income Plan which has an accrued benefit plan obligation in excess of plan assets.

The total net cost for the Division's benefit plans is as follows:

Net defined benefit plan's costs:	
Current service cost less employee contributions	$ 5,350,321
Interest on plan obligations	13,297,262
Expected return on plan assets	(14,378,818)
Amortization of actuarial (gains) and losses	–
Valuation allowance increase (decrease)	(53,335)
Net defined benefit plans cost	$ 4,215,430

The significant actuarial assumptions adopted in measuring the Division's accrued benefit obligations are as follows:

Discount rate	6.00%
Rate of compensation increase	4.00%

The significant actuarial assumptions adopted in measuring the Division's pension cost are as follows:

Discount rate	6.00%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	4.00%

7. Employee future benefits (continued):

The benefit plan assets are held in trust and are invested as follows:

Equities	51%
Bonds	45%
Cash and cash equivalents	4%

(ii) Other future benefits:

The Division promotes other negotiated future benefits to employees, the costs of which are recognized over the period in which these employees render their service. At June 30, 2007, the Division has recorded an estimated liability of $3,551,483 in respect of these benefits.

8. Deferred revenue:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Educational property tax credit	$ 6,637,780	$ 8,654,617	$ 6,637,780	$ 8,654,617
Manitoba Textbook Bureau	202,535	903,402	783,670	322,267
Other special purpose funds	435,467	1,034,807	603,997	866,277
	$ 7,275,782	$ 10,592,826	$ 8,025,447	$ 9,843,161

9. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2007, school funds held totaled $2,270,755.

The school generated funds liability of $1,946,196 comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

10. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.5 percent to 12.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2008	$ 7,511,851	$ 5,684,282	$ 13,196,133
2009	6,553,416	4,990,490	11,543,906
2010	6,106,789	4,413,870	10,520,659
2011	5,714,899	3,896,943	9,611,842
2012	5,459,988	3,432,304	8,892,292
Thereafter	46,715,342	17,417,061	64,132,403
	$ 78,062,285	$ 39,834,950	$ 117,897,235

As June 30, 2007, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $472,675 (2006 - $846,397).

11. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 203,942,425	$ 95,767,251	$ 108,175,174

12. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

13. Contractual obligations:

The Division is committed to payments under operating leases for equipment and buildings through 2011 in the amount of $3,577,657. Annual payments are: 2008 - $1,426,161; 2009 - $1,266,526; 2010 - $635,749; and 2011 - $249,221.

14. Special levy raised for la Division Scolaire Franco-Manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf la Division Scolaire Franco-Manitobaine. As at June 30, 2007, the amount of this special levy was $714,185 (2006 - $633,760). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Winnipeg Technical College are the responsibility of the College management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. *(except for .....any qualification per auditors' report.....).* A summary of the significant accounting policies are described in Note #3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. College management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the College met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the College's consolidated financial statements.

Chairperson

Secretary-Treasurer

October xx, 200x
(Same date as Auditors' Report)

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chair and Members of the Governing Board of
Winnipeg Technical College

We have audited the consolidated statements of financial position of **Winnipeg Technical College** as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements fairly, in all material respects, the financial position of the College as at June 30, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principals as established by the Public Sector Accounting Board.

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The comparative figures, as described in Note 2, have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education, the prescribed method of accounting that was followed prior to the implementation of generally accepted accounting principals as established by the Public Sector Accounting Board (PSAB).

Grant Thornton LLP

Winnipeg, Canada
October 19, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,277,602	480,173
	Short Term Investments	-	-
	Due from - Provincial Government	292,328	363,060
	- Federal Government	28,669	36,167
	- Municipal Government	-	-
	- Other School Divisions	78,053	232,215
	- First Nations	-	-
	Accounts Receivable	101,352	127,387
	Accrued Investment Income	-	-
	Other Investments	-	
		1,778,004	1,239,002
	Liabilities		
	Overdraft	-	-
	Accounts Payable	139,958	169,651
	Accrued Liabilities	11,426	504,797
6	Employee Future Benefits	481,308	-
	Accrued Interest Payable	27,722	-
	Due to - Provincial Government	-	6,119
	- Federal Government	4,603	4,363
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	306,081	254,724
7	Debenture Debt	1,672,707	1,718,933
	Other Borrowings	37,683	38,667
	School Generated Funds Liability	-	
		2,681,488	2,697,254
	Net Debt		
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	6,181,654	12,619,377
	Inventories	-	-
	Prepaid Expenses	64,659	55,893
		6,246,313	12,675,270
9	**Accumulated Surplus**	5,342,829	11,217,018

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	6,404,311	6,941,162
	Federal Government	-	-
	Municipal Government - Property Tax	-	-
	- Other	-	-
	Other School Divisions	1,765,522	1,670,687
	First Nations	25,000	60,736
	Private Organizations and Individuals	2,947,899	2,721,645
	Other Sources	175,935	134,008
	School Generated Funds	-	
	Other Special Purpose Funds	5,107	
		11,323,774	11,528,238
	Expenses		
	Regular Instruction	4,763,269	4,647,087
	Student Support Services	700,867	159,639
	Adult Learning Centres	1,943,490	2,666,887
	Community Education and Services	1,053,631	1,200,393
	Divisional Administration	701,923	698,294
	Instructional and Other Support Services	251,213	765,566
	Transportation of Pupils	-	-
	Operations and Maintenance	940,522	949,061
	Fiscal - Interest	133,721	142,495
	- Other	101,998	109,619
	Amortization	270,340	
	Other Capital Items	-	-
	School Generated Funds	-	
	Other Special Purpose Funds	5,056	
		10,866,030	11,339,041
	Current Year Surplus (Deficit)	457,744	189,197
	Opening Accumulated Surplus	11,217,018	11,027,821
	Restatements: Tangible Cap. Assets and Accum. Amort.	(6,337,554)	
*	Other than Tangible Cap. Assets	5,621	0
	Opening Accumulated Surplus, as restated	4,885,085	11,027,821
	Closing Accumulated Surplus	5,342,829	11,217,018

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	457,744
Amortization of Tangible Capital Assets	270,340
Acquisition of Tangible Capital Assets	
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	100,169
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	
(Increase)/Decrease in Net Debt	549,147
Net Debt at Beginning of Year	
Restatements Other than Tangible Cap. Assets	5,621
Net Debt at Beginning of Year as Restated	
Net Debt at End of Year	

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	457,744
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	270,340
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	481,308
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	232,392
Accounts Receivable & Accrued Income (Increase)/Decrease	26,035
Inventories and Prepaid Expenses - (Increase)/Decrease	
Due to Other Organizations Increase/(Decrease)	
Accounts Payable & Accrued Liabilities Increase/(Decrease)	
Deferred Revenue Increase/(Decrease)	51,357
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	5,621
Cash Provided by Operating Transactions	1,014,810
Capital Transactions	
Acquisition of Tangible Capital Assets	
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	
Other Borrowings Increase/(Decrease)	
Cash Provided by (Applied to) Financing Transactions	
Cash and Bank / Overdraft (Increase)/Decrease	797,429
Cash and Bank (Overdraft) at Beginning of Year	480,173
Cash and Bank (Overdraft) at End of Year	1,277,602

Winnipeg Technical College

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	8,849,258	-	-	-	2,855,775	-	914,344	-	-	12,619,377
Restatements	443,545	-	-	-	(2,744,304)		(15,034)	-	5,650	(2,310,143)
Opening Cost restated	9,292,803	-	-	-	111,471	-	899,310	-	5,650	10,309,234
Add:										
Additions during the year	83,653	-	-	-	61,273	25,245	-	-	-	170,171
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	9,376,456	-	-	-	172,744	25,245	899,310	-	5,650	10,479,405
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	3,956,149	-	-	-	57,708	7,904	-	-	5,650	4,027,411
Opening restated	3,956,149	-	-	-	57,708	7,904	-	-	5,650	4,027,411
Add:										
Current period Amortization	239,584	-	-	-	24,445	6,311	-	-		270,340
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	4,195,733	-	-	-	82,153	14,215	-	-	5,650	4,297,751
Net Tangible Capital Asset	5,180,723	-	-	-	90,591	11,030	899,310	-	-	6,181,654
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

WINNIPEG TECHNICAL COLLEGE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

The Winnipeg Technical College is a public body that provides vocational training to adults and secondary students. The division is funded primarily through a five year agreement with the Province of Manitoba and the Pembina Trails School Division which details operational requirements of the College. The Pembina Trails School Division contributed $866,100 to the partnership relationship recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The College is exempt from income tax and operates a registered charity.

The College is economically dependent on the Province and Pembina Trails School Division for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the College would be difficult.

2. Comparative Figures

The College adopted Public Sector Accounting Board (PSAB) standards during the 2006 07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the College followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the College. The College reporting entity includes funds associated with the SWTC Scholarship/ Trust Fund controlled by the College.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the College to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the College.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the College are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the College to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the College. The College does not contribute to TRAF, and no costs relating to this plan are included in the College's financial statements.

The College does provide retirement benefits to non-certified personnel and other future benefits to its employees. These benefits include vacation and accumulated sick leave days. The College adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

The Retirement Plan offered non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the College to make a specific fixed contribution each period. The College does not assume any actuarial or investment risk in the future, nor responsibility to make further contributions.

(ii) Vacation Days

Non-certified permanent personnel accrue vacation entitlement for service in accordance with College policy. General practice is that most days are accumulated through the period July 1- June 30. The unused entitlement balance is recorded as a liability at yearend.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at yearend.

(iii) Accumulated Sick Days

The College offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. The College concurs with the Province of Manitoba that the liability for accumulated sick days would not be material, therefore a liability has not been recorded for this benefit.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The College is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted

4. Conversion to PSAB

Commencing with the 2006 07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The College has an authorized demand facility with the Royal Bank of Canada of $ 625,000 by way of overdraft and loan and is repayable on demand at RB Prime less .75 % (interest is paid monthly in arrears).

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The College sponsors one defined contribution benefit pension plan that is provided to all non-certified employees. The defined contribution insured plan requires eligible employees to contribute a percentage of their earnings based on their age at the start of each calendar year. Employees contribute from a low of 9% to a high of 11.65% less their contribution to the Canada Pension Plan. The College contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

7. Debenture Debt

PS 3250.15, 3250.17-18 (Reference)

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2010 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on one self-funded capital project which matures in 2018. The debentures carry interest rates that range from 4.875 % to 10.25 %. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
	$	$	$
2008	81,562	93,110	174,672
2009	86,315	88,357	174,672
2010	91,353	83,319	174,672
2011	92,392	77,979	170,371
2012	97,613	72,758	170,371
	$	$	$
	449,235	415,523	864,758

8. Tangible Capital Assets

PS 3150.40-41, 3150.42, PSG-2 24(a) (Reference)

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
	$	$	$
Owned-tangible capital assets	10,479,405	4,297,751	6,181,654
Capital lease	-	-	-
	$	$	$
	10,479,405	4,297,751	6,181,654

9. Accumulated Surplus

PSG-4 7-8 (Reference)

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	641,632
Undesignated Surplus	200,305
	841,937
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	4,495,220
	4,495,220
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	5,672
	5,672
	$
Total Accumulated Surplus	5,342,829

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2007
Board approved appropriation by motion	641,632
School budget carryovers by board policy	
Designated surplus	$ 641,632

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (*provide details of Other Special Purpose Funds*) use.

	2007
Foundation-Scholarship	5,672
Other - *Specify*	-
Other Special Purpose Funds	$ 5,672

10. Restatement of Opening Accumulated Surplus

PS 2120.020 (Retroactive)

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	
Capital Fund	
Tangible Capital Assets	(2,310,143)
Accumulated Amortization	(4,027,411)
	(6,337,554)
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	5,621
	5,621
Total Restatement of Opening Accumulated Surplus	$ (6,331,933)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

11. Interest Received and Paid

*PS 1200.106-7 **(Reference)***

The Division received interest during the year of $66,786 (previous year $39,533); interest paid during the year was $129,278(previous year $136,408).

Interest expense is included in Fiscal and is comprised of the following:

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 26,832
Capital Fund	
Debenture debt interest	99,175
Other interest	3,271
	$ 129,278

The accrual portion of debenture debt interest expense of $27,722 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

PS 1200.085; PS 2500.014 (Reference)

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2007	Budget 2007	Actual 2006
	$	$	$
Salaries	6,469,351	6,828,489	4,848,477
Employees benefits & allowances	582,123	576,322	428,477
Services	1,757,603	1,725,380	1,437,038
Supplies, materials & minor equipment	1,176,389	1,312,033	1,148,948
Interest	31,275	25,000	28,799
Bad debts	-	-	-
Payroll tax	101,998	130,431	109,619
Amortization	270,340	-	-
Other capital items	102,446	62,569	489,869
School generated funds	-	-	-
Other special purpose funds	5,056	-	5,600
	$	$	$
	10,496,581	10,660,224	8,496,827

13. Contractual Obligations

An agreement providing guaranteed access to training spaces for students from the Louis Riel School Division was concluded in late June 2006. The agreement covers the period July 1, 2006 through June 30, 2011 and outlines certain rights granted to the Louis Riel School Division and their students as a result of withdrawal from governance of the College. The College will guarantee access to 76.5 FTE students from the Louis Riel School Division and charge a fee for these services of $755,955 for 2007-08.

VOLUME 4 - SECTION 3

TABLE OF CONTENTS

PAGE

Section 3:

CROWN ORGANIZATIONS (CONTINUED):

- Public Schools Finance Board	June 30, 2007	1166
- Red River College	June 30, 2007	1174
- Regional Health Authorities		
Assiniboine Regional Health Authority Inc.	March 31, 2008	1192
Brandon Regional Health Authority Inc.	March 31, 2008	1210
Affiliated Non-devolved Entities		
The Salvation Army Dinsdale Personal Care Home Inc.	March 31, 2008	1229
Westman Regional Laboratory	March 31, 2008	1246
Burntwood Regional Health Authority Inc.	March 31, 2008	1255
Churchill Regional Health Authority Inc.	March 31, 2008	1274
Interlake Regional Health Authority	March 31, 2008	1292
Nor - Man Regional Health Authority Inc.	March 31, 2008	1314
North Eastman Health Association Inc.	March 31, 2008	1331
Parkland Regional Health Authority Inc.	March 31, 2008	1349
Regional Health Authority - Central Manitoba Inc.	March 31, 2008	1370
South Eastman Health / Santé Sud-Est Inc.	March 31, 2008	1387
Winnipeg Regional Health Authority	March 31, 2008	1408
Affiliated Non-devolved Entities		
3885136 Manitoba Association Inc. (operating as Calvary Place Personal Care Home)	March 31, 2008	1443
Bethania Mennonite Personal Care Home Inc.	March 31, 2008	1457
Centre Taché Centre	March 31, 2008	1477
Clinique Youville Clinic Inc.	March 31, 2008	1498
Donwood Manor Personal Care Home Inc.	March 31, 2008	1511
Foyer Valade Inc.	March 31, 2008	1531
Fred Douglas Personal Care Home	March 31, 2008	1551
Holy Family Nursing Home Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund	March 31, 2008	1572
Hope Centre Health Care Incorporated	March 31, 2008	1584
Klinic Incorporated	March 31, 2008	1590
LHC Personal Care Home Inc.	March 31, 2008	1604
Luther Home Corporation	March 31, 2008	1616
M. F. L. Occupational Health and Safety Centre Inc.	March 31, 2008	1628
Main Street Project, Inc.	March 31, 2008	1639
Meadowood Manor Personal Care Home	March 31, 2008	1647
Middlechurch Home of Winnipeg Inc.	March 31, 2008	1661
Mount Carmel Clinic	March 31, 2008	1682
Nine Circles Community Health Centre, Inc.	March 31, 2008	1700
Nor'West Co-op Community Health Centre, Inc.	March 31, 2008	1710
Odd Fellows and Rebekahs Personal Care Home Inc. Golden Links Lodge	March 31, 2008	1719
Park Manor Personal Care Home, Inc.	March 31, 2008	1737
Pembina Place Mennonite Personal Care Home Inc.	March 31, 2008	1750
St. Amant Inc.	March 31, 2008	1766
St. Joseph's Residence Inc.	March 31, 2008	1782
Sexuality Education Resource Centre Manitoba, Inc.	March 31, 2008	1796
The Convalescent Home of Winnipeg	March 31, 2008	1806
The Salvation Army Golden West Centennial Lodge	March 31, 2008	1824
The Sharon Home Inc.	March 31, 2008	1844
West Park Manor Personal Care Home Inc.	March 31, 2008	1865
Women's Health Clinic Inc.	March 31, 2008	1876
- Rehabilitation Centre for Children, Inc.	March 31, 2008	1888



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2007, and the statement of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 9, 2007

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2007

	2007	2006
	(in thousands of dollars)	
Assets		
Cash	$ 1,314	$ 1,539
Funds on deposit with the Province of Manitoba	17	204
Accounts receivable		
Province of Manitoba	7,536	12,170
Municipal corporations - Education Support Levy	74,034	73,257
Other	356	632
	$ 83,257	$ 87,802
Liabilities and Education Support Fund		
Support payable to school divisions	$ 3,296	$ 3,548
Accrued interest	1,129	972
Notes payable on demand, at bank prime, Province of Manitoba	75,206	76,219
Other payables	135	198
	79,766	80,937
Education Support Fund	3,491	6,865
	$ 83,257	$ 87,802

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2007

	2007	2006
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 771,611	$ 726,807
Municipal corporations - Education Support Levy	122,867	131,486
	894,478	858,293
Expenses:		
Operational support program (Note 3)	820,983	799,907
Capital support program (Note 4)	73,421	52,166
Administrative and other expenses (Note 5)	3,498	2,820
	897,852	854,893
Excess (deficiency) of revenue over expenses	(3,374)	3,400
Education Support Fund		
Balance, beginning of year	6,865	3,465
Balance, end of year	$ 3,491	$ 6,865

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow
for the year ended June 30, 2007

	2007	2006
	(in thousands of dollars)	
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses	$ (3,374)	$ 3,400
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	4,634	(12,170)
Municipal Corporations - Education Support Levy	(777)	13,866
Other	276	(8)
Support payable to school divisions	(252)	(931)
Accrued interest	157	142
Other payables	(63)	15
	601	4,316
Cash Flows from Financing Activities		
Funds advanced from the Province of Manitoba		(1,442)
Notes payable on demand, at bank prime, Province of Manitoba	(1,013)	(2,808)
	(1,013)	(4,250)
Net increase(decrease) in cash	(412)	66
Cash - beginning of year	1,743	1,677
Cash - end of year	**$ 1,331**	**$ 1,743**
Consisting of		
Cash	$ 1,314	$ 1,539
Funds on deposit with the Province of Manitoba	17	204
	$ 1,331	**$ 1,743**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2007

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2006 levy to the July to December period and 60% of the 2007 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Operational support program

	2007	2006
	(in thousands of dollars)	
Instructional Support	$ 317,372	$ 316,959
Sparsity Support	11,491	11,754
Curricular Materials	9,362	9,466
Information Technology	6,809	6,885
Library Services	15,660	15,834
Level I - Special Needs	-	45,126
Student Services Grant	61,467	-
Counselling and Guidance	12,434	11,525
Professional Development	6,779	6,437
Occupancy	82,673	81,410
Transportation	40,560	39,574
Board and Room	799	816
Special Needs	84,273	78,236
Senior Years Technology Education	8,257	8,126
English as a Second Language	5,071	4,430
Aboriginal Academic Achievement	6,898	6,957
Heritage Language	226	229
French Language Programs / Instruction	5,960	5,903
Students at Risk	-	12,325
Small Schools	1,822	1,845
Enrolment Change Support	5,259	4,734
Remoteness Allowance	4,833	5,024
Early Behaviour Intervention	-	1,887
Early Childhood Development Initiative	1,443	1,354
Early Literacy Intervention	6,196	6,118
Early Numeracy	847	858
Experiential Learning	552	-
Equalization Support	119,333	110,167
Adjustment of previous years' support to school divisions from estimated to actual	164	576
Amalgamated School Division Guarantee	964	1,383
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	592	974
	$ 820,933	**$ 799,907**

4. Capital support program

	2007	2006
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 67,268	$ 46,409
Minor capital projects	238	336
School buildings "D" support	5,565	5,007
Environmental assistance program	344	386
Air and water quality program	6	28
Total capital support program	**$ 73,421**	**$ 52,166**

5. Administrative and other expenses

	2007	2006
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 876	$ 805
Service agreement	169	169
Professional services	134	72
Board members' honoraria	-	57
Meetings and travel	20	40
Desktop management	35	49
Rent	40	40
Printing, stationery, postage and supplies	22	45
Telephone and fax	11	10
Professional Development	17	-
Computers, software and minor equipment	42	26
Total board administration Expenses	**1,366**	**1,323**
Interest charges on notes payable to the Province of Manitoba	**2,132**	**1,497**
	$ 3,498	**$ 2,820**

6. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

7. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

8. Comparative Figures

Certain comparative figures have been reclassified in order to conform with financial statement presentation adopted in the current year.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

September 7, 2007

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	$ 1,061	$ 3,979
Cash and short-term investments (note 3)	6,478	2,265
Accounts receivable (note 4)	3,171	3,214
Current portion of note receivable - RRC Students' Association [note 20(a)]	40	–
Inventories	693	958
Prepaid expenses and other assets (note 5)	2,589	3,089
	14,032	13,505
Long term investments - trust and endowment (note 6)	8,656	4,273
Due from Province of Manitoba (note 7)	9,253	9,253
Note receivable - RRC Students' Association [note 20(a)]	210	–
Capital assets (note 8)	70,166	72,189
Intangible asset	10	12
	$ 102,327	$ 99,232
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 9)	$ 255	$ 1,340
Accounts payable and accrued liabilities (note 10)	22,728	19,754
Current portion of obligations under capital leases (note 11)	1,615	1,458
Deferred revenue	4,150	4,559
	28,748	27,111
Obligations under capital leases (note 11)	1,272	1,350
Deferred contributions (note 12)	3,395	3,087
Deferred capital campaign contributions (note 13)	3,342	3,431
Deferred contributions related to capital assets (note 14)	50,583	53,181
Net assets:		
Invested in capital and intangible assets (note 15)	13,364	12,785
Restricted for endowments (note 16)	8,205	7,078
Internally restricted (note 16)	2,803	1,145
Unrestricted net assets	(9,385)	(9,936)
	14,987	11,072
Commitments [notes 14, 19 and 20(a)]		
	$ 102,327	$ 99,232

See accompanying notes to financial statements.

Approved by the Board of Governors:



Chair



Vice-Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

	Budget (Unaudited)	2007	2006
Revenue:			
Academic training fees	$ 22,309	$ 26,387	$ 24,874
Grants and reimbursements	67,496	66,996	62,553
International education	800	974	776
Continuing education	8,259	7,788	7,327
Sundry and other revenue	12,779	11,609	9,679
Gain (loss) on disposal of capital assets/investments	–	(14)	2
Amortization of deferred contributions	5,095	5,168	5,301
	116,738	118,908	110,512
Expenses:			
Instruction	63,976	66,546	60,747
Library	1,717	1,831	1,705
Administration and general	24,873	20,173	18,981
Physical plant	14,739	14,154	13,423
Student services	3,555	3,953	3,662
Amortization of capital and intangible assets	6,600	8,735	8,227
	115,460	115,392	106,745
Excess of revenue over expenses before other items	1,278	3,516	3,767
Other item:			
Net increase in accrued vacation and severance liability	(1,278)	(728)	(765)
Excess of revenue over expenses	$ –	$ 2,788	$ 3,002

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$ 12,785	$ 7,078	$ 1,145	$ (9,936)	$ 11,072	$ 6,768
Endowment gifts	–	1,127	–	–	1,127	1,227
Amounts restricted for endowments	–	–	–	–	–	75
Transfer to internally restricted	–	–	1,658	(1,658)	–	–
Excess (deficiency) of revenue over expenses	(4,002)	–	–	6,790	2,788	3,002
Investment in capital assets	4,581	–	–	(4,581)	–	–
Balance, end of year	$ 13,364	$ 8,205	$ 2,803	$ (9,385)	$ 14,987	$ 11,072

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2007, with comparative figures for 2006

	2007	2006
Operating activities:		
Excess of revenue over expenses	$ 2,788	$ 3,002
Adjustments for:		
Amortization of intangible assets	2	2
Amortization of capital assets	8,733	8,227
Amortization of deferred capital contributions	(4,747)	(4,743)
Other deferred contributions recognized as revenue	(2,083)	(2,282)
Other deferred contributions received	2,484	2,319
Trust funds used to support College activities	(99)	–
Loss (gain) on disposal of capital assets	14	(2)
Change in non-cash working capital balances (note 17)	3,373	(674)
	10,465	5,849
Investing activities:		
Purchase of capital assets	(4,706)	(7,037)
Long-term investment for trust and endowment	(4,383)	(4,025)
Proceeds on disposal of capital assets	–	2
Loan provided to RRC Students' Association	(250)	–
	(9,339)	(11,060)
Financing activities:		
Endowment gifts received	1,126	1,227
Contributions received for capital purposes	1,831	3,507
Capital campaign contributions	208	195
Repayment of obligations under capital leases	(1,911)	(2,147)
	1,254	2,782
Increase (decrease) in cash and short-term investments	2,380	(2,429)
Cash and short-term investments, beginning of year	4,904	7,333
Cash and short-term investments, end of year	$ 7,284	$ 4,904
Comprised of:		
Cash and short-term investments - trust and endowment	$ 1,061	$ 3,979
Cash and short-term investments	6,478	2,265
Bank indebtedness	(255)	(1,340)
	$ 7,284	$ 4,904

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of $1,990 (2006 - $1,850).

See accompanying notes to financial statements.

1. General:

Red River College (the College) operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba (the Province). The College is a registered charity under the *Income Tax Act*.

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

(c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

2. Significant accounting policies (continued):

(d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(f) Deferred contributions:

Debt owing to the Province is reflected as deferred contributions in the statement of financial position. The related revenue earned from the Council on Post-Secondary Education (COPSE) to offset the interest expense and the related interest expense are both excluded from the statement of operations.

(g) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at year end exchange rates with any gain or loss included in income in the year. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province in short-term deposits. Interest rates on short-term investments range between 4.00 percent and 4.20 percent. Short-term investments mature between July 2007 and September 2007.

4. Accounts receivable

	2007	2006
Trust and endowment receivables	$ 159	$ 263
Other accounts receivable	3,012	2,951
	$ 3,171	$ 3,214

5. Prepaid expenses and other assets:

	2007	2006
Prepaid property taxes	$ 1,320	$ 1,274
Other prepaid expenses	992	1,332
Datatel flexible spending account	277	483
	$ 2,589	$ 3,089

6. Long-term investments:

	2007		2006	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 7,426	$ 7,426	$ 3,274	$ 3,274
Equity investments	1,393	1,230	952	999
	$ 8,819	$ 8,656	$ 4,226	$ 4,273

Fair value as represented above was derived from the quoted market value of investments.

7. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province to the College in 1996. The amount of the receivable has been recorded on a non-discounted basis. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference would be materially impacted by the effective discount rate and timing of repayments utilized.

8. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	$ 26,336	$ 17,843	$ 8,493	$ 9,994
Computer equipment and software	19,907	15,872	4,035	3,991
Major renovations	6,067	1,817	4,250	4,491
Buildings	48,472	3,936	44,536	45,165
Vehicles	208	103	105	67
Aircraft	1,716	356	1,360	1,446
Leasehold improvements	4,870	2,347	2,523	2,596
Construction in progress	580	–	580	33
Assets under capital leases	9,408	6,347	3,061	3,183
Library holdings	1,223	–	1,223	1,223
	$ 118,787	$ 48,621	$ 70,166	$ 72,189

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is $2,113 (2006 - $2,263).

8. Capital assets (continued):

The increase in net book value of capital assets is due to the following:

	2007	2006
Balance, beginning of year	$ 72,189	$ 71,298
Purchase of capital assets:		
Funded by deferred capital contributions	1,831	3,507
Funded by deferred capital campaign contributions	208	195
Internally funded	4,581	5,483
Financed through capital lease proceeds	83	(300)
Donations of capital assets	21	231
Gain (loss) on disposal of capital assets	(14)	2
Amortization of capital assets	(8,733)	(8,227)
Balance, end of year	$ 70,166	$ 72,189

9. Bank indebtedness:

Bank indebtedness of $255 (2006 - $1,340) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a $5,000 operating line of credit with the Province, bearing interest at prime.

10. Accounts payable and accrued liabilities:

	2007	2006
Trade payables	$ 4,417	$ 3,102
Trust and endowment payables	14	3
Accrued salaries and benefits	3,086	2,166
Accrued retirement severance pay	7,051	7,057
Accrued vacation pay	8,160	7,426
	$ 22,728	$ 19,754

Significant actuarial assumptions used in the severance obligations at June 30, 2007 and June 30, 2006 were:

Interest rate on obligations	7.00%
Employer current service cost as a percentage of salary	.62%

11. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2007 and April 2012 together with the balances of the obligations under capital leases:

2008	$	1,740
2009		916
2010		252
2011		127
2012		38
Total minimum lease payments		3,073
Less amount representing interest (ranging from 5% to 10%)		(186)
Balance of obligations		2,887
Current portion		1,615
	$	1,272

Interest expense on the lease obligations amounted to $181 (2006 - $184).

12. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

		2007		2006
Deferred provincial operating grant:				
Balance, beginning of year	$	1,657	$	1,724
Amount recognized as revenue during the year		(1,657)		(1,724)
Amount received related to following year		1,738		1,657
Balance, end of year		1,738		1,657
Deferred other contributions:				
Balance, beginning of year		1,430		1,401
Amount recognized as revenue during the year		(426)		(558)
Amount restricted for endowment		(1)		(75)
Trust funds used to support college operations		(99)		–
Amount received related to following year		753		662
Balance, end of year		1,657		1,430
	$	3,395	$	3,087

13. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2007	2006
Balance, beginning of year	$ 3,431	$ 3,523
Less amortization of deferred capital campaign contributions during the year	(297)	(287)
Add donations received during the year	208	195
Balance, end of year	$ 3,342	$ 3,431

14. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2007	2006
Balance, beginning of year	$ 53,181	$ 53,899
Less amortization of deferred contributions	(4,450)	(4,456)
Add:		
Contributions received for capital purposes	1,831	3,507
Donations-in-kind	21	231
Balance, end of year	$ 50,583	$ 53,181

14. Deferred capital contributions (continued):

Unamortized capital contributions of $50,583 (2006 - $53,181) include contributions received from the Province for the purchase of capital assets. The College has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by the COPSE. No new funding is expected to be received with respect to these obligations and no revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2007	2006
Phase 1 - 6.6% interest, maturing June 30, 2042, repayable in monthly instalments of $71 including principal and interest	$ 12,097	$ 12,190
Phase 2 - 6.3% interest, maturing June 30, 2043, repayable in monthly instalments of $122 including principal and interest	20,960	21,111
Phase 3 - 6.3% interest, maturing June 30, 2043, repayable in monthly instalments of $46 including principal and interest	8,621	8,680
	$ 41,678	$ 41,981

15. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2007	2006
Capital assets, net book value	$ 70,166	$ 72,189
Intangible assets, net book value	10	12
Less:		
Amounts financed by deferred capital campaign contributions	(3,342)	(3,431)
Deferred capital contributions	(50,583)	(53,181)
Amounts financed by capital lease	(2,887)	(2,804)
Balance, end of year	$ 13,364	$ 12,785

15. Investment in capital and intangible assets (continued):

The change in investment in capital and intangible assets is calculated as follows:

		2007		2006
Purchase of capital assets internally financed	$	4,581	$	5,483
Amortization of:				
Capital and intangible assets		(8,735)		(8,229)
Deferred capital contributions		4,450		4,456
Deferred capital campaign contributions		297		287
Gain (loss) on disposal of capital assets		(14)		3
Increase in investment in capital and intangible assets	$	579	$	2,000

16. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

		2007		2006
Princess Street campus structural reserve	$	537	$	430
Notre Dame campus structural reserve		200		–
Contract training net proceeds		1,266		715
Campus renovations reserve		800		–
Balance, end of year	$	2,803	$	1,145

Under college internal best practice guidelines, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

17. Change in non-cash working capital balances:

	2007	2006
Accounts receivable	$ 43	$ (520)
Inventories	265	(58)
Prepaid expenses and other assets	500	(1,006)
Accounts payable and accrued liabilities	2,974	467
Deferred revenue	(409)	443
Change in non-cash working capital	$ 3,373	$ (674)

18. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 3461.

The expense related to the pension plan was $805 (2006 - $587). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

19. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2008	$ 1,913
2009	1,731
2010	1,194
2011	915
2012	904
	$ 6,657

19. Commitments (continued):

The College has received approval to construct a Heavy Equipment Training Centre at the Notre Dame campus for an estimated cost of $15.1 million. Construction is expected to commence in early 2008.

The Centre will be secured by a promissory note and will be funded both internally and through funding from the Province and other capital contributions. The College plans to account for the funding of the building as a deferred capital contribution (note 14).

20. Related parties:

(a) Red River College Students' Association Inc.:

The Red River College Students' Association (the Students' Association) is an organization significantly influenced by the College. The Students' Association is responsible for providing services such as health and dental benefits, study and lounging areas, and a voice on the College's Board of Governors to students of the College. The Students' Association and the Students' Association Building Fund (SABF) are incorporated under the *Corporations Act* of Manitoba and operate on a not-for-profit basis. SABF is a wholly-owned subsidiary of the Students' Association. In the current year, the College agreed to loan $375 to SABF and during the year advanced $250 to be used to construct a new student lounge on the Notre Dame campus. The remaining $125 will be advanced in 2008. The note receivable is unsecured and non-interest bearing. Repayment is set to begin in February 2008 and the balance will be repaid as follows:

2008	$	40
2009		100
2010		105
2011		105
2012		25
	$	375

The net assets and results of operations of the Students' Association and SABF are not included in the statements of the College.

20. Related parties (continued):

(b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act of Manitoba*. As at June 30, 2007, net assets of Crecomm amount to a deficit of $125 and there is a balance owing to the College of $138.

The net assets and results from operations of Crecomm are not included in the statements of the College.

(c) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis. As at May 31, 2007, net resources of the Blood Bank amount to $84.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.

21. Financial instruments:

Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

21. Financial instruments (continued):

Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 6.

The fair value of the note receivable from the Red River College Students' Association and the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

22. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

To the Board of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 6, 2008

Chief Executive Officer

Chief Financial Officer

To the Directors of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2008 and the consolidated statements of operations, net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

June 6, 2008

Meyers Norris Penny LLP

Chartered Accountants

Assiniboine Regional Health Authority

Consolidated Statement of Financial Position

As at March 31, 2008

	2008	2007
Assets		
Current Assets		
Cash	17,649,579	18,285,357
Marketable securities	3,837,455	3,682,990
Accounts receivable (Note 3)	2,063,836	2,059,608
Manitoba Health receivable - vacation entitlement (Note 4)	6,484,052	6,484,052
Inventories	962,881	1,129,108
Prepaid expenses	620,107	582,830
	31,617,910	32,223,945
Manitoba Health receivable - pre-retirement obligation (Note 5)	7,336,760	7,336,760
Capital assets (Note 6)	84,695,735	75,074,652
Trust assets	113,683	104,328
	123,764,088	114,739,685
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	12,158,842	9,483,978
Due to Manitoba Health (Note 7)	766,560	5,348,914
Current portion of long-term debt (Note 8)	153,290	144,394
Accrued vacation entitlement (Note 4)	7,621,077	7,095,169
	20,699,769	22,072,455
Long-term debt (Note 8)	2,531,238	2,684,131
Accrued pre-retirement obligation (Note 5)	9,281,842	8,882,291
Deferred contributions (Note 9)	84,710,648	75,637,235
Trust liabilities	113,683	104,328
	117,337,180	109,380,440
Commitments and contingencies (Note 10)	-	-
Net Assets		
Invested in capital assets (Note 11)	3,275,190	3,336,867
Internally restricted (Note 12)	210,746	247,481
Unrestricted	2,940,972	1,774,897
	6,426,908	5,359,245
	123,764,088	114,739,685

Approved on behalf of the Board:

Director _____ **Director** _____

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2008

	2008	2007
Revenues		
Manitoba Health operating income (Note 13)	**127,370,745**	119,790,997
Authorized residential charges	**12,617,559**	12,333,338
Amortization of deferred contributions	**4,151,394**	4,351,620
Other income	**4,794,830**	4,112,298
Ancillary	**1,177,503**	1,262,581
Province of Manitoba	**2,021,184**	2,093,172
	152,133,215	143,944,006
Expenses		
Acute care	**49,043,223**	45,171,617
Long-term care	**49,762,788**	46,556,507
Community-based home care services	**11,321,511**	10,670,229
Medical remuneration	**9,845,399**	10,402,042
Community health clinics	**1,017,672**	35,806
Community-based health services	**5,607,045**	5,124,760
Land ambulance	**5,497,968**	5,083,512
Community-based mental health services	**1,864,721**	1,801,149
Therapy services	**875,288**	768,672
Community-based services administration	**687,670**	648,977
	135,523,285	126,263,271
Other Undistributed Costs		
Regional health authority costs	**8,583,550**	7,458,404
Amortization of capital assets	**4,362,621**	4,531,577
Ancillary	**1,155,077**	1,238,842
Pre-retirement	**1,445,560**	1,294,151
	15,546,808	14,522,974
Total expenses and other undistributed costs	**151,070,093**	140,786,245
Excess of revenues over expenses	**1,063,122**	3,157,761

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2008

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2008**	2007
Balance, beginning of year	3,336,867	247,481	1,774,897	**5,359,245**	1,865,781
Transfer to (from) deferred contributions	-	-	6,157	**6,157**	247,107
Investment in capital assets	144,722	(153,484)	(22,484)	**(31,246)**	(664)
Internally restricted assets	-	116,749	-	**116,749**	117,091
Excess of revenues over expenses	(206,399)	-	1,269,521	**1,063,122**	3,157,761
Elderly Persons Housing adjustments	-	-	(51,283)	**(51,283)**	(34,764)
Transferred to Municipalities	-		(35,836)	**(35,836)**	-
Reclassification from prior year	-	-	-	-	6,933
Balance, end of year	**3,275,190**	**210,746**	**2,940,972**	**6,426,908**	5,359,245

Assiniboine Regional Health Authority

Consolidated Statement of Cash Flows

For the year ended March 31, 2008

	2008	2007
Cash Flows from Operating Activities		
Excess of revenues over expenses	1,063,122	3,157,761
Adjustments for		
Loss (gain) on disposal of capital assets	(32,562)	1,109
Amortization of deferred contributions	(4,151,394)	(4,351,620)
Amortization of capital assets	4,362,621	4,531,577
	1,241,787	3,338,827
Changes in non-cash working capital balances		
Accounts receivable	(4,228)	577,714
Inventories	166,227	(30,823)
Prepaid expenses	(37,277)	(287,164)
Marketable securities	(154,465)	(165,769)
Due to Manitoba Health	(4,582,354)	2,518,243
Accounts payable and accrued liabilities	2,674,864	2,081,095
Accrued vacation entitlement	525,908	(106,287)
	(169,538)	7,925,836
Cash Flows from Investing and Financing Activities		
Increase in capital assets	(13,983,704)	(4,326,867)
Increase in deferred contributions	13,224,807	3,532,243
Increase (decrease) in long-term debt	(143,997)	(133,189)
Increase in accrued retirement obligation	399,551	411,618
Increase (decrease) in net assets	37,103	334,594
	(466,240)	(181,601)
Increase (decrease) in cash and cash equivalents during the year	(635,778)	7,744,235
Cash and cash equivalents, beginning of year	18,285,357	10,541,122
Cash and cash equivalents, end of year	17,649,579	18,285,357

1. Purpose of the organization

The Assiniboine Regional Health Authority is a not-for-profit organization created by regulation 99/2002 under the Regional Health Authorities Act. Through participation and teamwork, and available resources, the Assiniboine Regional Health Authority's mission is to share in enhanced well-being through the delivery of quality health services that are responsive to the needs of the population.

The organization is a registered charity and, as such, is exempt from income taxes and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Authority follows the deferral method of accounting for contributions including government grants and donations.

The Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

A number of individuals donate significant amounts of time to the Authority's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	10-40 years
Equipment, computers, vehicles, ambulance equipment	straight-line	5-10 years
Land improvements	straight-line	15 years

Pre-retirement obligations

The Authority applies the accounting recommendations for employee future benefits contained in *Section 3461* of the *Canadian Institute of Chartered Accountants' Handbook*.

2. Significant accounting policies *(continued)*

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2008 respectively.

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge
Tiger Hills Villa Inc.

The financial statements of the above entities are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The differences in accounting policies used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these consolidated financial statements.

Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2007:

Baldur Handi-Van Service
Hartney Handi-Transit
Tiger Hills Handi-Van Service

These entities have not been reported as at March 31, 2008 due to the reporting requirements of their funding agency: The Province of Manitoba – Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2007 and March 31, 2008, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to the Assiniboine Regional Health Authority as a whole.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

2. Significant accounting policies *(continued)*

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. The accrued pre-retirement obligation and the accrued vacation entitlement liability are stated based on management estimates and actuarial valuations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants' ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. On January 1, 2007, the Organization implemented these new standards, the main requirements of which are set out below:

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash and marketable securities. These instruments are initially recognized at their fair value, determined by published bid price in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Held for trading financial instruments are subsequently measured at their fair value determined by the bid price in an active market, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in operations.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and Due from Manitoba Health. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accruals and Due to Manitoba Health. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in income. Total interest expense, calculated using the effective interest rate method, is recognized in net operations. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Financial asset impairment:
The Organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

3. Accounts receivable

	2008	*2007*
Trade receivables	**1,946,289**	2,018,421
GST receivable	**267,043**	197,433
Allowance for doubtful accounts	**(149,496)**	(156,246)
	2,063,836	2,059,608

4. Accrued vacation entitlement

The liability for the accrued vacation entitlement, as well as, the appropriate amount receivable from Manitoba Health has been recorded. Prior to April 1, 2004, deferred vacation entitlement costs were treated as Out-of-Globe by Manitoba Health. Since that time, In-Globe funding has been amended to include these costs. There will be an offsetting receivable from Manitoba Health only for the accumulated accrued vacation liability up to March 31, 2004. As at March 31, 2008, the amount receivable is $6,484,052.

	2008	*2007*
Due to Assiniboine Regional Health Authority Employees	**7,621,077**	7,095,169

5. Accrued retirement obligations

	2008	*2007*
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	**9,240,843**	8,845,227
Due to Diagnostic Services of Manitoba	**40,999**	37,064
	9,281,842	8,882,291

Pre-retirement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

i) has ten years service and has reached the age of 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
iii) retires at or after age 65 or
iv) terminates employment at any time due to permanent disability

5. Accrued retirement obligations *(continued)*

***Pre-retirement** (continued)*

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for MGEU Community Support members of the Civil Service Superannuation Plan, employed by the Authority on or before May 2, 2003, is to pay out, at retirement to employees who ha e reached the age of 55 and have nine or more years of service, the following severance pay:

i) one week of severance pay for each year of service up to 15 years of service.
ii) two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service.

Funding for the retirement obligation is recoverable from Manitoba Health for pre-retirement costs incurred up to March 31, 2004 on an Out-of-Globe basis in the year of payment. As of April 1, 2004, In-Globe funding has been amended to include these costs. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004.

Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when the Authority requires the funding to discharge the related pre-retirement liabilities. As at March 31, 2008, the amount receivable is $7,336,760.

Pension plans

Most of the employees of the Authority are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook, Section 3461*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, and 8.2% thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The December 2002 Health Employees Pension Plan (HEPP) actuarial valuation revealed that current contribution levels are insufficient to fund basic plan benefits, and do not make provisions for unexpected unfunded liabilities. The HEPP Board had two options:

i) to request a rate increase from the signatory boards and unions or
ii) to reduce benefits.

In January 2005, the Board proposed the contribution rate increases over three years, which was approved by the signatory unions and employers in mid April 2005. The Plan's actuary review indicates that the approved contribution rate increases should be sufficient for the pension Plan to remain fully-funded at this time.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $4,433,657 (2007 - $4,133,856) and are included in the statement of operations.

5. Accrued retirement obligations *(continued)*

Pension plans *(continued)*

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Authority and its employees.

6. Capital assets

		2008		*2007*
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	509,709	-	**509,709**	510,225
Land improvements	1,412,828	747,356	**665,472**	595,407
Buildings	94,257,518	35,263,502	**58,994,016**	60,824,374
Equipment, computers, vehicles	16,295,131	8,457,726	**7,837,405**	9,600,335
Construction in progress	16,689,133	-	**16,689,133**	3,544,311
	129,164,319	44,468,584	**84,695,735**	75,074,652

7. Due to Manitoba Health

	2008	*2007*
Out-of-Globe 2003 2004	-	799,649
Out-of-Globe 2004 2005	-	1,328,406
Out-of-Globe 2005 2006	-	1,863,032
Out-of-Globe 2006 2007	**(654,332)**	1,357,857
Out-of-Globe 2007 2008	**1,420,892**	-
	766,560	5,348,914

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

7. Due to Manitoba Health *(continued)*

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

8. Long-term debt

	2008	*2007*
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.00%, due from December 1, 2013 to March 1, 2018, with monthly payments of principal and interest from $142 to $2,854, secured by buildings.	**588,343**	640,373
Mortgages payable to Manitoba Housing and Renewal Corporation at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479 secured by buildings.	**1,169,929**	1,205,924
Mortgage payable to the Royal Bank of Canada, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	**926,256**	982,228
	2,684,528	2,828,525
Less: current portion	**153,290**	144,394
	2,531,238	2,684,131

Principal repayments for the next five years and thereafter are as follows:

2009	153,290
2010	162,745
2011	172,873
2012	183,695
2013	195,308
Thereafter	1,816,617
	2,684,528

8. Long-term debt *(continued)*

In prior years, the Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004.

Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has restated the long-term debt as deferred contributions in its financial statements.

9. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations that were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

Changes in the deferred contributions balance are as follows:

	Expended	Unexpended	Other	2008	2007
Balance, beginning of year	68,934,292	3,887,610	2,815,333	75,637,235	76,456,612
Funding Manitoba Health	106,540	1,539,260	-	1,645,800	5,958,450
Donations received	-	-	3,924,513	3,924,513	945,475
Interest earned	-	10,791	111,411	122,202	135,155
Other funding	-	1,229,498	-	1,229,498	1,559,096
Capital asset purchases	13,723,394	(1,090,118)	(914,100)	11,719,176	2,026,370
Operating expenses	(972)	(2,066,526)	(3,126,336)	(5,193,834)	(2,236,587)
Amortization	(4,000,873)	-	-	(4,000,873)	(4,206,634)
Principal payments on long term debt	-	(348,738)	-	(348,738)	(4,597,951)
Transferred to Municipalities	-	-	(4,461)	(4,461)	-
Reclassification	-	(27,870)	8,000	(19,870)	(402,751)
Balance, end of year	78,762,381	3,133,907	2,814,360	84,710,648	75,637,235

9. Deferred contributions *(continued)*

The lines of credit and long-term debt that have been incorporated in deferred contributions include the following:

	2008	2007
Lines of credit	**11,304,920**	1,784,658
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.17% to 10.50%, due from January 1, 2009 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	**5,785,117**	6,095,185
	17,090,037	7,879,843

Lines of Credit

The Authority has authorized capital lines of credit of $28,885,921 and has authorized $5,800,000 of an operating line of credit. These lines of credit bear interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

10. Commitments and contingencies

The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any losses experienced by the group of subscribers for the years in which they were a subscriber. As of December 31, 2005, the Authority has a subscriber's surplus of $229,894. No such assessments have been made to December 31, 2007.

Environmental Liabilities

In accordance with accounting policy of the Province of Manitoba, the Authority has no known environmental liabilities for contaminated sites for which the Authority will become obligated to incur remediation costs due to reasons of public health and safety, contractual agreements, or to meet such standards which are set out in any act or regulation of government.

11. Invested in capital assets

	2008	2007
Capital Assets	**84,695,735**	75,074,652
Amounts financed by:		
Deferred contributions related to capital assets	**(78,762,381)**	(68,934,292)
Long-term debt	**(2,684,528)**	(2,828,525)
Due from operating account	**26,364**	25,032
	3,275,190	3,336,867

12. Internally restricted net assets

The Authority has restricted $210,746 (2007 - $247,481) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

13. Manitoba Health operating income

	2008	2007
Revenue as per Manitoba Health's final funding document	**128,437,919**	121,499,011
Add:		
CUPE wage standardization	**1,488,934**	646,313
CUPE wage settlement	**-**	10,060
MGEU community support special adjustment	**-**	175,131
MGEU professional technical market supplement	**278,211**	108,236
MNU market supplement	**422,196**	-
MAHCP wage settlement	**18,807**	-
Primary Health Care Phase 2	**-**	16,000
Primary Health Care nurses salaries and benefits	**240,846**	-
Admission / discharge / transfer software	**59,476**	58,705
Minnedosa arthroscopy program - wait list	**210,387**	229,400
Rivers rehabilitation program - wait list	**206,300**	206,300
Deloraine cancer care program - wait list	**22,343**	-
Provincial data network	**12,023**	57,601
Interfacility transfers	**1,026,110**	264,581
Mental health worker	**83,600**	83,600
Pandemic planning	**-**	100,000
Pre-retirement leave	**-**	798,672
Louis Riel Day statutory holiday	**365,036**	-
Services for Seniors group living project	**7,590**	-
Diabetes education pre-diabetes project	**3,584**	-
	4,445,443	2,754,599

13. Manitoba Health operating income (continued)

	2008	2007
Continued from previous page	**4,445,443**	2,754,599
Deduct:		
Medical remuneration - out-of-globe	**(3,747,810)**	(2,380,575)
Medical remuneration - in-globe	**(390,401)**	-
Adjustments (rounding variances, write-offs, etc.)	**31**	(2)
	(4,138,180)	(2,380,577)
Total funding approved by Manitoba Health	**128,745,182**	121,873,033
Deduct:		
Capital funding	**(1,048,451)**	(1,536,015)
Capital interest on loans	**(325,986)**	(546,021)
	127,370,745	119,790,997

14. Economic dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

15. Comparative figures

Certain comparative figures have been reclassified, if necessary, to conform with the current year presentation.

16. Related party transactions

The Authority is responsible for the overall management of the health care services provided in the Assiniboine region. Programs for hospital and personal care services are delivered in the region by the Authority. The Authority transacts business on a regular basis with organizations and agencies described in Notes 2, 4, 5, 7, 9 and 13.

As part of a transfer agreement between Diagnostic Services of Manitoba and the Authority, assets with a net book value of $1,596,585 were transferred to Diagnostic Services of Manitoba for no cash proceeds.

17. Change in accounting policy

Effective April 1, 2007, the Authority adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, Section 3861, and amendments to the existing presentation and disclosure standards, as described in Note 2.

CICA 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Organization arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Although the requirements of CICA 1530 *Comprehensive Income* are not applicable for not-for-profit organizations, amendments to CICA 4400 *Not-For-Profit Organizations* require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

The Authority had no items requiring reclassification to net assets.

18. New Accounting pronouncements

Capital disclosures and financial instruments – disclosure and presentation

On April 1, 2008, the Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosures, and Section 3863 Financial Instruments – Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Authority will apply the new disclosures in its 2009 financial statements.

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
June 27, 2008

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2008	2007 (Restated - Note 17)
ASSETS		
CURRENT		
Cash	$ 2,026,046	$ -
Accounts receivable (Note 4)	5,995,360	4,989,798
Inventories	1,315,299	1,418,977
Prepaid expenses	2,238,556	1,443,676
Due From Manitoba Health & Healthy Living - Vacation	7,224,269	7,224,269
Due From Manitoba Health & Healthy Living - Vacation Non-Devolved Facilities (Note 17)	788,820	788,820
	19,588,350	**15,865,540**
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre-retirement	9,191,179	9,191,179
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre retirement Non-Devolved Facilities (Note 17)	826,654	826,654
INVESTMENTS (Note 5)	3,799,526	3,666,866
CAPITAL ASSETS (Note 6)	104,781,883	107,168,496
	$ 138,154,592	$ 136,720,737
LIABILITIES		
CURRENT		
Bank advances - operating (Note 7)	$	$ 1,049,504
Accounts payable and accrued liabilities	9,152,717	7,981,429
Bank advances	1,099,906	1,113,509
Employee Future Benefits - Vacation	9,121,797	9,016,534
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation (Note 17)	788,820	788,820
Current portion of obligation under capital lease (Note 9)	-	200,428
Current portion of long term debt (Note 8)	103,740	97,437
	20,266,980	20,247,778
EMPLOYEE FUTURE BENEFITS - Pre-retirement	12,120,433	11,448,662
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benefits - Pre-retirement (Note 17)	826,654	826,654
LONG TERM DEBT (Note 8)	754,091	857,831
DEFERRED CONTRIBUTIONS (Note 10)		
Expenses of future periods	1,727,395	1,296,058
Capital assets	99,271,596	100,692,626
	134,973,119	135,369,809
NET ASSETS		
Invested in capital assets (Note 11)	1,944,522	2,198,310
Internally restricted (Note 12)	3,322,266	3,567,016
Externally restricted (Note 12)	28,202	27,164
Unrestricted	(2,113,817)	(4,441,564)
	3,181,473	1,350,928
COMMITMENTS AND CONTINGENCIES (Note 14)		
	$ 138,154,592	$ 136,720,737

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31

	2008	2007
REVENUE		
Manitoba Health & Healthy Living operating income		
Income as per Funding Document (excluding funding related to Capital and interest)	$ 154,315,375	$ 145,144,257
One Time Funding	1,445,014	1,364,828
Retroactive Salary Payments	874,039	495,847
Recovery of Non Global Items	1,436,206	2,462,809
Other Manitoba Health & Healthy Living Income	4,493,635	3,403,129
Total Manitoba Health & Healthy Living Funding (Note 13)	162,564,269	152,870,870
Non-insured income	8,691,997	6,980,737
Other Income	3,481,550	2,814,096
Amortization of deferred contributions	9,049,675	9,325,399
Capital revenue - Non Devolved Facilities	540,303	572,698
Ancillary revenue	3,867,345	3,827,079
	188,195,139	176,390,879
EXPENSES		
Acute Care Services	107,092,483	100,993,479
Long Term Care Services	23,954,173	22,680,424
Medical Remuneration - All Programs	14,105,563	12,195,921
Community Based Mental Health Services	12,065,026	11,618,423
Community Based Home Care Services	6,308,231	6,121,714
Community Based Health Services	4,917,039	4,693,620
Land Ambulance	557,436	545,112
RHA Administration Costs	2,909,524	2,864,029
Amortization of capital assets	8,915,175	8,825,480
Capital payments - Facilities	540,303	572,698
Interest on capital lease	7,024	23,429
Interest on long term debt	126,576	68,039
Other operating expenses	1,750,156	1,474,994
Ancillary expenses	3,464,597	3,721,124
	186,474,306	176,399,486
Excess (Shortfall) of revenue over expenses for the year	$ 1,720,833	$ (8,607)

ALLOCATION OF EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES:

Investment in Capital Assets - Manitoba Health & Healthy Living Activities	$ (841,437)	$ (843,027)
Unrestricted - Manitoba Health & Healthy Living Activities	2,625,681	772,672
Investment in Capital Assets - Non Manitoba Health & Healthy Living Activities	(508,319)	(441,720)
Internally Restricted - Non Manitoba Health & Healthy Living Activities	443,870	503,243
Externally Restricted	1,038	225
	$ 1,720,833	$ (8,607)

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2008

	Invested in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2008 Total	2007 Total
BALANCE, beginning of year	$ 2,198,310	$ 3,567,018	$ 27,164	$ (4,441,564)	$ 1,350,928	$ 1,359,535
Unrealized change in fair value upon initial adoption (Note 2)	-	(21,991)	-	49,884	27,893	-
ADJUSTED BALANCE, beginning of year	2,198,310	3,545,027	27,164	(4,391,680)	1,378,821	1,359,535
(Shortfall) Excess of revenue over expenses	(1,349,756)	443,870	1,038	2,625,681	1,720,833	(8,607)
Net change in investment in capital assets	1,096,268	(714,373)	-	(381,895)	-	-
Change in fair value of investments classified as available-for-sale	-	47,742		34,077	81,819	-
BALANCE, end of year	$ 1,944,822	$ 3,322,266	$ 28,202	$ (2,113,817)	$ 3,181,473	$ 1,350,928

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2008	2007
OPERATING ACTIVITIES		
Shortfall of revenue over expenses for the year	$ 1,720,833	$ (8,607)
Items not affecting cash		
Amortization of capital assets	8,616,175	8,826,480
Amortization of deferred contributions related to expenses of future periods	(1,783,486)	(1,783,665)
Amortization of deferred contributions related to capital assets	(7,266,189)	(7,541,734)
Net Change to employee future benefits	(605,375)	1,021,283
Changes in non-cash operating working capital items	862,647	372,040
	1,544,605	885,797
FINANCING ACTIVITIES		
Receipt of deferred contributions related to expenses of future periods	2,214,823	1,783,385
Receipt of deferred contributions related to capital assets	5,845,159	6,032,352
Proceeds from bank advances	-	437,430
Repayment of bank advances	(1,063,168)	(83,199)
Repayment of long term debt	(97,437)	(91,489)
Repayment of obligation under capital lease	(200,428)	(391,475)
	6,698,949	7,687,004
INVESTING ACTIVITIES		
Purchase of capital assets	(6,229,562)	(8,589,574)
Redemption of Investments	12,054	16,773
	(6,217,508)	(8,572,801)
INCREASE IN CASH	2,026,046	-
CASH, BEGINNING OF YEAR	-	
CASH, END OF YEAR	$ 2,026,046	$ -

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2 CHANGE IN ACCOUNTING POLICY

a) Effective April 1, 2007, the Authority adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation, and as a result, now measures and presents its investments at fair value. In accordance with the transitional provisions of Section 3855, recognition, derecognition and measurement policies followed in financial statement for periods prior to the effective date of this section are not required to be restated. Therefore, the new accounting policy was applied at April 1, 2007 and the 2007 the comparative financial statements were not restated. The implementation of the change in accounting policy increased the carrying value of the investments at April 1, 2007 by $27,893.

b) Section 3861, Financial Instruments - Disclosures and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them.

The Authority has made the following classifications:

i) Cash is classified as held for trading and is measured at fair value.
ii) Investments are classified as available for sale and are measured at fair value.
iii) Accounts receivable, Due From Manitoba Health & Healthy Living - Vacation and Due From Manitoba Health & Healthy Living - Pre-retirement Non-Devolved Facilities are classified as loans and receivables and are measured at amortized cost using the effective interest rate.
iv) Bank Advances (operating), Accounts payable and Accrued liabilities, Bank advances, Due to Non-Devolved Facilities - Vacation & Pre-retirement and Long term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate.

3 SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Reporting*

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) *Basis of Reporting (Continued)*

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 16).

b) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health & Healthy Living. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health & Healthy Living with respect to the year ended March 31, 2008.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Inventories*

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) *Investments*

Investments are classified as available-for-sale financial assets and are comprised of bonds and guaranteed investment certificates, which are recorded at fair value based on bid prices at year-end. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the Statement of Operations. Changes in unrealized gains and losses are reflected as direct increase or decrease in net assets.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) *Financial Instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Authority's designation of such instruments.

Classification

Cash - Held for trading
Accounts receivable - Loans and Receivables
Investments - Available for Sale
Due From Manitoba Health & Healthy Living - Vacation - Loans and Receivables
Due From Manitoba Health & Healthy Living - Vacation - Non-Devolved Facilities - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Non-Devolved Facilities - Loans and Receivables
Bank advances - operating - Other Liabilities
Accounts payable and accrued liabilities - Other Liabilities
Bank advances - Other Liabilities
Employee Future Benefits - Vacation - Other Liabilities
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation & Pre-retirement - Other Liabilities
Long term debt - Other Liabilities

Available for Sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in the consolidated statement of changes in net assets until realized when the cumulative gain or loss is transferred to other income.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the date of the statement of financial position. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Parking lots	10%
Buildings	2.5% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

h) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

i) *Pre-Retirement entitlement obligation*

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the criteria below. Funding for the retirement entitlement prior to March 31, 2004 is recoverable from Manitoba Health & Healthy Living. Effective April 1, 2004, any increase in the entitlement is the responsibility of the Brandon Regional Health Authority.

The benefits paid during the year by the Authority amounted to $ 638,213 (2007 - $853,521) and are included in the statement of operations. The service costs for the year were $ 764,403 (2007 - $737,253).

Healthcare Employees Pension Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Pre-Retirement entitlement obligation (Continued)*

Civil Service Superannuation Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 5.50% (2007 - 4.85%) and a rate of salary increase of 3.50% (2007 - 3.0%) plus age related merit/promotion scale with nil for disability.

j) *Due From Manitoba Health & Healthy Living - Employee Future Benefits*

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its on-going annual funding to the Authority, an amount equivalent to the change in pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the the related pre-retirement liabilities.

k) *Due to/from Manitoba Health & Healthy Living*

In Globe Funding

In Globe funding is funding approved by Manitoba Health & Healthy Living for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *Due to/from Manitoba Health & Healthy Living (Continued)*

In Globe Funding (Continued)

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines what portion of the approved surplus maybe retained by the Authority, or repaid to Manitoba Health & Healthy Living.

Under Manitoba Health & Healthy Living policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health & Healthy Living.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health & Healthy Living for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health & Healthy Living.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health & Healthy Living are absorbed by the Authority.

l) *Future accounting changes*

In December 2006, the CICA issued section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation, and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Authority will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments of the entity's financial position and performance and b) the nature and extent of risks arising form financial instruments to which the entity is exposed during the period and at the balance date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

31 March 2008

4 ACCOUNTS RECEIVABLE

	2008	2007
Manitoba Health & Healthy Living		
Retroactive Salary Increases	$ 1,727,021	$ 495,847
Other Operations	1,641,667	1,971,185
Non Medical Reciprocal Recoveries	1,190,228	-
Out of Globe - 2003/04	(107,094)	(18,642)
Out of Globe - 2004/05	(310,993)	(294,366)
Out of Globe - 2005/06	(186,305)	(106,786)
Out of Globe - 2006/07	31,315	(131,624)
Out of Globe - 2007/08	135,160	-
	4,120,999	1,915,614
Patients	783,953	553,284
Government of Canada - Goods and Services Tax	269,719	217,076
BRHC Foundation , BGH Auxiliary and Westman Laboratory	782,241	928,289
Sundry	1,126,638	1,543,763
	7,083,550	5,156,026
Less allowance for doubtful accounts	(1,088,190)	(166,228)
	$ 5,995,360	$ 4,989,798

5 INVESTMENTS

	2008	
	Cost	Fair Value
Government of Canada Bonds	$ 177,187	179,819
Other Bonds	3,475,209	3,552,298
Other	4,418	4,418
	$ 3,656,814	$ 3,736,526

	2007	
	Cost	Fair Value
Government of Canada Bonds	$ 178,036	$ 179,562
Other Bonds	3,487,676	3,503,043
Other	3,156	3,156
	$ 3,668,868	$ 3,686,761

The fair values of the investments are based on the year end quoted market bid price.

6 CAPITAL ASSETS

	2008		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,586,340	$ 3,013,173
Buildings	105,321,734	31,687,527	74,634,107
Building service equipment/equipment	86,735,068	63,798,181	22,936,887
Work in Progress	4,197,716	-	4,197,716
	$ 201,854,031	$ 97,072,148	$ 104,781,883

6 CAPITAL ASSETS (Continued)

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,359,966	$ 3,239,547
Buildings	106,180,095	29,061,258	77,118,837
Building service equipment/equipment	81,999,259	58,034,749	23,964,510
Work in Progress	2,845,602		2,845,602
	$ 195,624,469	**$ 88,455,973**	**$ 107,168,496**

7 BANK ADVANCES

The bank advances have been authorized by the Province of Manitoba. Interest is paid monthly based on an interest rate of prime minus 1.00%. The amount available for operating credit is $6,900,000.

8 LONG TERM DEBT

	2008	2007
City of Brandon		
6.5% loan, repayable $159,529 annually, including interest, maturing 2015	$ 857,831	$ 955,268
Less current portion	(103,770)	(97,437)
	$ 754,061	$ 857,831

The fair value of the Authority's long term debt is $965,823 as at March 31, 2008 calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:

2009	$ 103,770
2010	110,515
2011	117,699
2012	125,349
2013	133,497

9 OBLIGATION UNDER CAPITAL LEASE

	2008	2007
Royal Bank of Canada Monthly payments including interest at 5.722% of $34,575, expiring September 2007	$ -	$ 200,428
Less: Current Portion	-	(200,428)
	$ -	$ -

Final lease payment was paid in 2008.

10 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

		2008		2007
Balance, beginning of year	$	1,296,058	$	1,338,791
Add amount received		2,214,823		1,783,385
Less amount transferred to deferred contributions related to capital assets		-		(42,453)
Less amount amortized to revenue in the year		(1,783,486)		(1,783,665)
Balance, end of year	$	**1,727,395**	$	**1,296,058**

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2007		2007
Balance, beginning of year	$	100,692,626	$	102,159,656
Additional contributions received		5,849,159		6,030,352
Add amount transferred from expenses of future periods		-		42,453
Less amounts amortized to revenue in the year		(7,268,189)		(7,541,734)
Balance, end of year	$	**99,271,596**	$	**100,692,626**

The balance of unamortized capital contributions related to capital assets consists of the following:

		2008		2007
Unamortized capital contributions used to purchase assets	$	100,802,396	$	101,566,834
Underspent/(Overspent) contributions		(1,530,800)		(874,208)
	$	**99,271,596**	$	**100,692,626**

10 DEFERRED CONTRIBUTIONS - Capital Assets (Continued)

During the 2006 fiscal year, the Province of Manitoba assumed the long term and third party debt of the Authority and was recognized as borrowings in the Public Accounts of the Province of Manitoba. Accordingly, the Authority has classified the long term debt and short term financing as deferred contributions. The following long term debt related to third party's is included in deferred contributions:

	2008	2007
School of Nursing Building 6.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 439,619	$ 467,609
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	367,951	392,245
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	305,411	315,772
Fairview Home 10 1/8% sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health & Healthy Living for payment of the debenture.	9,250,000	9,250,000

11 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 104,781,883	$ 107,168,496
Funds held by Manitoba Health & Healthy Living		
Amounts financed by:		
Deferred contributions	(100,802,396)	(101,566,834)
Obligation under capital lease	-	(200,428)
Accounts Payable	(76,926)	(1,134,146)
Loan and mortgage payable	(1,957,737)	(2,068,778)
	$ 1,944,822	**$ 2,198,310**

12 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health & Healthy Living activities of $3,322,266 (2007 - $3,567,018). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health & Healthy Living activities and for possible capital asset purchases.

Externally Restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

13 MANITOBA HEALTH & HEALTHY LIVING REVENUE

		2008		2007
Allocation per Funding Document	$	157,011,326	$	148,082,678
Add: MAHCP Accrual		193,566		499,847
CUPE Wage Standardization		558,830		-
MNU Retro		506,297		-
MGEU Lab Market Adjustment		186,321		-
Waiting Lists Initiative Funding		473,006		351,089
CIHI Funding		-		98,636
One Time Funding - PreRetirement		-		602,518
One Time Funding - ER Hard To Fill Shift Premium		131,062		82,887
One Time Funding - Louis Riel Statutory Holiday		223,402		-
Total Funding Approved by Manitoba Health & Healthy Living		159,283,812		149,943,353
Add: Other Income				
Non-Global Reconciliation		1,436,206		2,462,809
Separately Funded Programs		292,080		119,965
Fee for Service Income		4,247,522		3,283,164
Less: Amounts recorded in Deferred Contributions		(2,695,951)		(2,938,421)
Total Revenue from Manitoba Health & Healthy Living	$	162,564,269	$	152,870,870

14 COMMITMENTS AND CONTINGENCIES

a) The Authority has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2009	$	1,304,243
2010		1,258,715
2011		637,174
2012		646,328
2013		657,941

b) The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

c) Effective January 1, 2003 the Authority joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2008.

15 PENSION PLAN

The majority of the employees of the Authority are members of the Healthcare Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP. Pension contributions are at 6.8% of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees. The funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

The most recent actuarial valuation of the plan as at December 31, 2007 indicates the plan is fully funded. Actual contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $5,022,300 (2007 - $4,553,632) and are included in the statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

16 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

Until December 2005 the Authority had the responsibility of providing management services to Westman Regional Laboratory. At that time the management was transferred to Diagnostic Services of Manitoba (DSM). The Authority continues to provide other services which will be transitioned to DSM by 2007. Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health & Healthy Living.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

FINANCIAL POSITION	2008	2007
Total assets	$ 3,100,195	$ 3,134,991
Total liabilities	$ 2,916,373	$ 2,912,765
Total net assets	183,822	222,226
	$ 3,100,195	$ 3,134,991
RESULTS OF OPERATIONS		
Total revenues	$ 3,750,573	$ 3,527,295
Total expenses	(3,788,977)	(3,560,813)
Net operating deficit	$ (38,404)	$ (33,518)

Westman Regional Laboratory Services Inc.

FINANCIAL POSITION	2008	2007
Total assets	$ 5,678,073	$ 6,133,790
Total liabilities	$ 5,684,964	$ 6,140,681
Total net assets	(6,891)	(6,891)
	$ 5,678,073	$ 6,133,790

16 **NON-DEVOLVED FACILITIES (Continued)**

	2008	2007
Westman Regional Laboratory Services Inc. (Continued)		
RESULTS OF OPERATIONS		
Total revenues	$ 14,258,608	$ 12,819,376
Total expenses	(14,796,743)	(14,291,445)
Net operating shortfall (recoverable from Manitoba Health & Healthy Living)	$ (538,135)	$ (1,472,069)

17 **EMPLOYEE FUTURE BENEFITS - Non-Devolved Facilities**

During the current year, the Authority determined that amounts Due From Manitoba Health & Health Living related to the non-devolved facilities vacation pay and pre-retirement liabilities should be recorded in the Authorities financial statements as at March 31, 2008 and March 31, 2007. Accordingly these receivable amounts together with the related amounts Due to the Non-Devolved Facilities have been recorded in the current year financial statements. The comparative year amounts as at March 31, 2007 have been restated to reflect these amounts. The amounts recorded are as follows:

ASSETS

	2008	2007
Due From Manitoba Health & Healthy Living - Vacation Non-Devolved Facilities	$ 788,820	$ 788,820
DUE FROM MANITOBA HEALTH - Pre-retirement Non-Devolved Facilities	826,654	826,654

LIABILITIES

Due to Non-Devolved Facilities - Employee Future Benefits - Vacation	$ 788,820	$ 788,820
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benefits - Pre-retirement	826,654	826,654

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

AUDITORS' REPORT

To the Directors of The Salvation Army Dinsdale Personal Care Home

We have audited the statement of financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2008 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The financial statements for the year ended March 31, 2007 were audited by another firm of accountants, who expressed an opinion without reservation in their report dated July 5, 2007.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 26, 2008

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated, note 3)
Assets		
Current assets:		
Cash	$ 216,594	$ 199,754
Accounts receivable	25,672	7,564
Inventory	29,421	25,224
Prepaid expenses	5,087	4,669
Employee benefits recoverable from Brandon Regional Health Authority (note 6)	190,916	190,916
	467,690	428,127
Employee future benefits recoverable from Brandon Regional Health Authority (note 6)	199,105	199,105
Cash held for restricted purposes (note 3(c))	176,168	145,389
Resident trust deposits	15,872	6,107
Property, plant and equipment (note 5)	2,241,360	2,356,263
	$ 3,100,195	$ 3,134,991

	2008	2007 (Restated, note 3)
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 208,075	$ 118,199
Accrued vacation payable (note 6)	210,702	211,820
Current portion of long-term debt	103,420	97,474
Due to Brandon Regional Health Authority (note 4)	58,329	20
	580,526	427,513
Accrued pre-retirement entitlement obligation (note 6):	273,862	273,636
Long-term debt (note 8)	1,756,252	1,860,948
Resident trust accounts payable	15,465	6,331
Deferred contributions (note 7):		
Expenses of future periods	35,987	86,175
Property, plant and equipment	254,281	258,162
	290,268	344,337
Net assets:		
Invested in property, plant and equipment (note 9)	82,859	90,866
Internally restricted	182,225	176,602
Unrestricted	(81,262)	(45,242)
	183,822	222,226
	$ 3,100,195	$ 3,134,991

See accompanying notes to financial statements.

On behalf of the Home:

_____ Executive Director

_____ Director of Business

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (Restated, note 3)
Revenue:		
Brandon Regional Health Authority (note 10)	$ 2,695,181	$ 2,535,890
Residential charges	841,086	829,640
Other income	17,463	18,771
	3,553,730	3,384,301
Amortization of deferred contributions	196,843	142,994
Total revenue	3,750,573	3,527,295
Expenses:		
Salaries	2,497,470	2,344,619
Employee benefits	445,187	428,497
Health and education levy	52,238	49,414
Other supplies and expenses	426,120	396,355
Physical plant	216,931	153,050
Interest (note 8)	32,961	34,164
Amortization of property, plant and equipment	128,049	134,926
	3,798,956	3,541,025
Deficiency of revenue over expenses on operations	(48,383)	(13,730)
Excess (deficiency) of revenue over expenses - contributed services	9,979	(19,788)
Deficiency of revenue over expenses	$ (38,404)	$ (33,518)

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in property, plant and equipment	Internally restricted	Unrestricted	Total 2008	Total 2007
Balance, beginning of year, as previously reported	$ 134,738	$ –	$ (89,114)	$ 45,624	$ 44,884
Change in accounting policy (note 3(c))	(43,872)	176,602	43,872	176,602	210,860
Balance, beginning of year, as restated	90,866	176,602	(45,242)	222,226	255,744
Excess (deficiency) of revenue over expenses	–	9,979	(48,383)	(38,404)	(33,518)
Transfer between funds	(8,007)	(4,356)	12,363	–	–
Balance, end of year	$ 82,859	$ 182,225	$ (81,262)	$ 183,822	$ 222,226

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Notes to Financial Statements

Year ended March 31, 2008

Purpose of organization:

The Salvation Army Dinsdale Personal Care Home (the Home) provides long-term care in the community of Brandon. The Home is owned and operated by The Governing Council of the Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and licensed under the provisions of the Brandon Regional Health Authority (BRHA). In addition, the Home carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The Home is a registered charity under the *Income Tax Act* and accordingly is exempt from income taxes.

1. Continuity of operations:

At March 31, 2008, the Home's current liabilities exceed its current assets by $112,836. The Home also had an unrestricted net asset deficiency of $81,262 (2007 - $45,242) at March 31, 2008 due mainly as a result of operating losses in fiscal 2008 and prior.

The ability of the Home to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Brandon Regional Health Authority.

2. Significant accounting policies:

(a) Basis of presentation:

The accounts are maintained on the accrual method of reporting income and expenses.

(b) Revenue recognition:

The Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

The Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by BRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

2. Significant accounting policies (continued):

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When an asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized using the straight-line method over the estimated useful life of the assets:

Asset	Term
Building	40 years
Equipment and furnishings	5 - 10 years
Computer equipment	5 years

(d) Operating fund surpluses:

Approved operating fund surpluses are repayable to the BRHA.

(e) Pre-retirement entitlement obligation:

The Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above.

(f) Employee future benefits recoverable from BRHA:

Funding for vacation entitlement and pre-retirement obligations is provided by Manitoba Health through BRHA as part of its regular budget in the period in which the expenditures are made. Vacation entitlements and pre-retirement entitlements that will be funded by BRHA have been recorded in the statement of financial position as recoverable from BRHA.

2. Significant accounting policies (continued):

(g) Internally restricted net assets:

Internally restricted net assets represent funds which have been received through donations or from the Salvation Army and whose use has been internally restricted by the Home.

(h) Statement of cash flows:

A statement of cash flows has not been provided as it would not provide any further information to the users of the financial statements.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Financial instruments:

Interest rate risk:

Interest rate risk is the risk to the Home's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Home does not use derivative instruments to reduce this risk.

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Home's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value:

The fair value of cash, cash held for restricted purposes, accounts receivable, accounts payable and accrued liabilities and accrued vacation payable approximate their carrying value due to their short-term maturity.

2. Significant accounting policies (continued):

(k) New accounting standards:

On December 31, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards become effective for the Home on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative date about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Home is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

3. Changes in accounting policies:

(a) Financial instruments:

The Home adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

3. Changes in accounting policies (continued):

Upon adoption of this new standard, the Home designated cash and cash held for restricted purposes as held-for-trading; resident trust deposits, accounts receivable, employee future benefits recoverable from BRHA as loans and receivables; and accounts payable and accrued liabilities, resident trust accounts payable, due to BRHA and long-term debt as other liabilities. The Home does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 as a result of adoption of this standard. There was no impact on the Home's reported results for fiscal 2008. In accordance with the standard, prior periods are not restated.

(b) Presentation of long-term debt:

During fiscal 2008, the Home changed its accounting policy for the treatment of long-term debt issued by third parties that is secured by a letter of comfort from Manitoba Health. In previous periods, the Home had presented such debt as deferred contributions, and loans are now presented separately on the statement of financial position as long-term debt. Management has determined that the new policy is preferable because it better reflects the third party nature of this debt. Prior periods have been restated.

The impact of the change on the statement of financial position was to:

- reduce deferred contributions by $1,859,672 as at March 31, 2008 and $1,958,425 as at March 31, 2007
- increase current portion of long-term debt by $103,420 as at March 31, 2008 and $97,474 as at March 31, 2007
- increase long-term debt by $1,756,252 as at March 31, 2008 and $1,860,948 as at March 31, 2007.

3. Changes in accounting policies (continued):

The impact of the change on the statement of operations was to increase both revenue from the BRHA and interest expense by $32,961 for the year ended March 31, 2008, and by $34,164 for the year ended March 31, 2007.

This change in presentation had no impact on net assets or results of operations for any period presented.

(c) Contributed Services and Donation Fund:

In prior years, the Home had presented assets, liabilities, revenues and expenses related to contributed services and its Donation Fund in separate financial statements.

In order to comply with the presentation preferred by the Salvation Army and to better reflect the complete operations of the Home, these items are now included within these financial statements. Prior periods have been restated.

The impact of the change on the statement of financial position was to:

- eliminate receivable from Salvation Army of $38,402 as at March 31, 2008 and $17,597 as at March 31, 2007
- recognize cash held for restricted purposes of $176,168 as at March 31, 2008 and $145,389 as at March 31, 2007
- increase property, plant and equipment by $44,459 as at March 31, 2008 and $48,810 as at March 31, 2007
- increase internally restricted net assets by $182,225 as at March 31, 2008 and $176,602 as at March 31, 2007
- reallocate $43,872 from "Invested in property, plant and equipment" to "Unrestricted net assets" as at March 31, 2007.

The impact of the change on the statement of operations was to:

- increase amortization of property, plant and equipment by $4,262 in each of the years ended March 31, 2008 and 2007
- record excess (deficiency) of revenue over expenses - contributed services for the years ended March 31, 2008 and 2007 of $9,979 and $(19,788), respectively.

4. Due to Brandon Regional Health Authority:

	2008	2007
Funding advances from BRHA	$ 115,402	$ 2,000
Amounts receivable from BRHA	(57,073)	(1,980)
	$ 58,329	$ 20

Funding advances received from BRHA are unsecured and non-interest bearing.

5. Property, plant and equipment:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land	$ 133,615	$ –	$ 133,615	$ 133,615
Buildings	4,218,593	2,145,682	2,072,911	2,200,790
Equipment and furnishings	570,058	535,224	34,834	21,858
	$ 4,922,266	$ 2,680,906	$ 2,241,360	$ 2,356,263

Title to the Home's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Home.

6. Employee benefits:

(a) Vacation payable:

The BRHA funds a portion of the vacation pay benefits of the Home, which is limited to the amount established at March 31, 2004 of $190,916. This amount is included in employee benefits recoverable from BRHA in the statement of financial position. Each year the Home is expected to fund the change in the liability from its annual funding.

(b) Pre-retirement entitlement obligation:

The Home has undertaken an actuarial valuation as of March 31, 2008 of the accrued pre-retirement entitlement obligation. The significant actuarial assumptions adopted in measuring the Home's accrued pre-retirement entitlement obligation include mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3.0 percent) plus age related merit/promotion scale and a factor ranging from 0 - 1.31 percent (2007 - 0 - 1.30 percent) for disability.

6. Employee benefits (continued):

The amount of funding which will be provided by BRHA for these pre-retirement benefits of $199,105 was initially determined based on the accrued pre-retirement entitlement obligation at March 31, 2004, and was recorded as employee future benefits recoverable from BRHA. The Home is responsible for funding the pre-retirement entitlement obligation accumulated after March 31, 2004, including the interest accretion, through its annual funding from BRHA.

The employee future benefits recoverable from BRHA has no specified terms of repayment.

The fair value of the employee future benefits recoverable from BRHA approximates its carrying value as the interest component described above is comparable to current market rates.

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted funds for major repairs:

	2008	2007
Balance, beginning of year	$ 86,175	$ 77,521
Add funding received in current year	18,840	18,840
Less major repairs	(69,028)	(10,186)
	(50,188)	8,654
Balance, end of year	$ 35,987	$ 86,175

(b) Property, plant and equipment:

Deferred capital contributions related to property, plant and equipment represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets and replacement of equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

7. Deferred contributions (continued):

	2008	2007 (Restated, note 3)
Balance, beginning of year	$ 258,162	$ 276,945
Add:		
Payments of mortgage principal (note 9)	98,751	90,951
Major equipment funding	23,600	18,047
Other	1,583	5,027
Less:		
Amounts amortized to revenue	(127,815)	(132,808)
	(3,831)	(18,783)
Balance, end of year	$ 254,231	$ 258,162

The Home has an outstanding loan of $348,749 (2007 - $380,595) payable to the Province of Manitoba. The Province has committed to fund payments of interest and principal on this loan, but does so directly, and does not include these amounts in funding provided directly to the Home. As the Province is funding the payment of principal and interest directly, the loan is not presented as a separate liability on the statement of financial position, but was recognized as an increase in deferred capital contributions when first incurred.

8. Long-term debt:

	2008	2007
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$ 1,859,672	$ 1,958,422
Current portion	(103,420)	(97,474)
	$ 1,756,252	$ 1,860,948

The Province of Manitoba, via the BRHA, provides funding for all payments of principal (note 7(b)) and interest on this debt.

9. Invested in property, plant and equipment:

	2008	2007
Property, plant and equipment	$ 2,241,360	$ 2,356,263
Amounts financed by:		
Deferred contributions	(254,281)	(258,162)
Long-term debt	(1,859,672)	(1,958,422)
Relating to capital assets within internally restricted funds	(44,548)	(48,813)
	$ 82,859	$ 90,866

10. Revenue - Brandon Regional Health Authority:

	2008	2007
Total approved funding	$ 2,836,373	$ 2,663,727
Less funding allocated to deferred contributions:		
Equipment	(23,600)	(18,047)
Major repairs	(18,840)	(18,840)
Mortgage principal	(98,752)	(90,950)
Funding for operations	$ 2,695,181	$ 2,535,890

11. Pension plan:

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on their length of service and on their average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and, accordingly, the Plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $279,933 (2007 - $261,629) and are included in the statement of operations.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Expenses

Schedule A

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Salaries:		
Activity	$ 75,264	$ 77,082
Administration	130,921	134,128
Dieticians	277,253	263,415
Housekeeping	143,942	137,390
In-service director	27,293	22,513
Laundry	57,924	52,962
Nursing	1,670,556	1,540,910
Physical plant and equipment	114,317	116,219
	$ 2,497,470	$ 2,344,619
Employee benefits	$ 445,187	$ 428,497
Health and education levy	$ 52,238	$ 49,414
Other supplies and expenses:		
Activity	2,766	2,619
Drug capitation expense	26,317	25,839
Administration	62,229	54,304
Housekeeping	17,520	18,030
In-service education	750	2,860
Laundry and linen	73,522	62,443
Nursing	81,811	74,752
Miscellaneous	–	2,366
Nutritional services	118,617	117,433
Plant maintenance	42,588	35,709
	$ 426,120	$ 396,355
Physical plant:		
Heat and lights	73,075	75,378
Insurance	2,434	3,549
Property taxes	48,914	43,644
Water and sewer	23,703	20,292
Major repairs	68,805	10,187
	$ 216,931	$ 153,050

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Contributed Services

Schedule B

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Donations	$ 19,910	$ 8,991
Ministry grant	60,000	6^,000
Interest	12,250	11,090
Miscellaneous	28,579	5,071
Red Shield	15,000	20,000
Travel recoveries	7,874	2,214
DHQ/THQ grant	45,000	10,000
	188,613	117,366
Expenses:		
Administrator - wages and benefits	61,256	58,720
Automotive	16,322	15,444
Chaplaincy services	346	393
Child sponsorship and special projects	–	700
Christmas	3,836	3,745
Conferences and travel	11,431	9,406
Residence repairs	9,071	5,823
Miscellaneous	23,292	18,694
Supervision levy remitted	50,314	21,420
Utilities	2,766	2,809
	178,634	137,154
Excess (deficiency) of revenue over expenses	$ 9,979	$ (19,788)

BDO Dunwoody LLP
Chartered Accountants
and Advisors

148 - 10th Street
Brandon, Manitoba Canada R7A 4E6
Telephone (204) 727-0671
Telefax (204) 726-4580
www.bdo.ca

Auditors' Report

To the Members of
Westman Regional Laboratory

We have audited the statement of financial position of **Westman Regional Laboratory** as at March 31, 2008 and the statements of operations and surplus for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and the changes in its financial position and cashflows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
June 5, 2008

Westman Regional Laboratory
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Accounts receivable	$ 47,457	$ 61,019
Prepaid expenses	90,496	118,493
Manitoba Health Receivable	3,627,450	3,687,320
	3,765,403	3,866,832
Capital assets (Note 1)	687,217	1,041,505
Deferred charges future employee benefits	1,225,453	1,225,453
	$ 5,678,073	$ 6,133,790
Liabilities and Surplus		
Current Liabilities		
Bank indebtedness	$ 2,454,036	$ 2,574,724
Accounts payable	574,837	590,532
Due to Brandon Regional Health Authority	691,087	821,220
	3,719,960	3,986,476
Deferred contributions - capital assets (Note 3)	171,238	488,065
Accrued future employee benefits	1,793,766	1,666,140
	5,684,964	6,140,681
Surplus		
Deficit	(6,891)	(6,891)
	$ 5,678,073	$ 6,133,790

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Surplus

For the year ended March 31	2008	2007
Deficit, beginning of year	$ (6,891)	$ (6,891)
Net loss for the year	(538,135)	(1,472,069)
	(545,026)	(1,478,960)
Deficit recoverable from Manitoba Health	538,135	1,472,069
Deficit, end of year	$ (6,891)	$ (6,891)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Manitoba Health	$ 13,737,548	$ 12,262,939
Amortization of deferred revenue	404,664	444,859
	14,142,212	12,707,798
Non-resident out-patient	116,320	108,600
Miscellaneous	76	2,978
	116,396	111,578
	14,258,608	12,819,376
Expenses		
Advertising	-	150
Amortization	404,664	444,859
Insurance	12,397	12,397
Interest	179,164	124,102
Laboratory and nuclear supplies	2,545,221	2,427,915
Medical remuneration	2,261,001	2,406,497
Membership dues and subscriptions	2,281	2,263
Other supplies	83,198	71,448
Physical plant		
- Insurance and taxes	5,824	5,824
- Repairs and maintenance	40,889	50,085
- Utilities	247,403	244,054
Pickup and delivery	352,693	340,512
Printing, postage and stationary	64,864	82,900
Professional fees	77,329	5,614
Purchased services	330,839	322,823
Rent	22,871	22,400
Salaries and benefits	7,682,510	7,266,706
Service contracts	299,824	325,185
System support	60,898	72,763
Telephone	27,484	32,095
Travel	95,389	30,853
	14,796,743	14,291,445
Deficit for the year	$ (538,135)	$ (1,472,069)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2008

Nature of Business

The organization is a non-profit entity, providing health services to Brandon and surrounding communities. Therefore any surplus that it generates is non-taxable. Effective December 1, 2005 the management of Westman Regional Laboratory Inc. was transferred to Diagnostic Services of Manitoba (DSM).

Capital Assets

Capital assets are recorded at cost.

Amortization is provided for on a straight-line basis in accordance with the following rates:

Building	- 2.5 %
Computer equipment	- 20 %
Equipment	- 10 %

Compensated Absences

Compensation expense is accrued for all employees as an entitlement to these payments earned, in accordance with the benefit plans for vacation in effect for Westman Regional Laboratory Services Inc.

Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

During the 2005 fiscal year, the Province of Manitoba assumed the long-term debt and third party debt of Westman Regional Laboratory and was recognized as borrowings in the Public Accounts of the Province of Manitoba.

Accordingly, the Westman Regional Laboratory has reclassified the long term debt and short term financing as deferred contributions in its financial statements.

Deferred Charges - Future Employee Benefits

A provision for future employee benefits including accrued vacation entitlements and accrued retirement obligations is recorded. Funding for the future employee benefits as at March 31, 2005 is recoverable from Manitoba Health and as such has been set up as a receivable. Effective April 1, 2005, any increase in the entitlement is the responsibility of Westman Regional Laboratory.

Surplus and Deficits

Approved surpluses are repayable to Manitoba Health; approved deficits are recoverable from Manitoba Health.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2008

Revenue Recognition

This organization receives the majority of its revenue from the Province of Manitoba. Revenue is recognized in the year in which the related operating expenditures are incurred. Revenue for capital assets is recognized in the amount of the amortization expense incurred during the year.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2008

Financial Instruments

The organization's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and amounts due to (from) related parties. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Effective October 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at their fair value with changes in fair value recorded in other comprehensive income.

As a result of the adoption of these new standards, the entity has classified its accounts receivable as loans and receivables and its bank indebtedness, accounts payable and due to (from) related parties as other liabilities, which are measured at amortized cost. As a result of application of Section 3855, the organization's surplus as at March 31, 2007 was not affected.

March 31, 2008

1. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	$ 1,254,408	$ 1,093,009	$ 1,254,408	$ 1,061,649
Equipment	9,458,860	9,047,627	9,456,520	8,740,699
Computer equipment	356,903	242,318	308,867	175,942
	$ 11,070,171	$ 10,382,954	$ 11,019,795	$ 9,978,290
Net book value		$ 687,217		$ 1,041,505

2. Related Party Transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

The entity paid expenses to the Brandon Regional Health Authority, which controls Westman Regional Laboratory, in the following amounts:

	2008	2007
Purchased services	$ 286,373	$ 286,373

3. Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 488,065	$ 880,403
Add: Contributions receivable	87,837	52,521
Less: Amount amortized in the year	(404,664)	(444,859)
Balance, end of year	$ 171,238	$ 488,065

Deferred contributions consist of the following:

	2008	2007
Amortization of capital assets in excess of contributions	$ (1,222,942)	$ (927,097)
Short term financing	665,870	640,853
Long-term debt	728,310	774,309
	$ 171,238	$ 488,065

4. Statement of Cash Flows

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

5. Economic Dependence

The Westman Regional Laboratory Services Inc. is economically dependent on the Province of Manitoba for funding.

6. Comparative Figures

The comparative figures have been adjusted to conform to the current year's presentation.

KENDALL WALL PANDYA

Chartered Accountants

118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919
300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thompson, Manitoba
May 30, 2008

Kendall Wall Pandya
Chartered Accountants.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF FINANCIAL POSITION

	2008	2007
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 1)	$ 4,315,752	$ 2,765,071
Inventories	538,217	513,144
Prepaid expenses	305,673	256,595
Vacation entitlements receivable -- Manitoba Health	2,589,257	2,589,257
Due from Manitoba Health (Note 2)	2,976,047	5,043,012
	$10,724,946	$ 11,167,079
Pre-retirement receivable-Manitoba Health	1,555,430	1,555,430
Capital assets (Note 3)	45,668,314	42,448,935
Restricted cash		
Thompson Personal Care Home Construction Donations	-	131,501
	$ 57,948,690	$55,302,945
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ 432,682	$ 3,412,027
Manitoba Health cash advance	3,000,000	3,000,000
Accounts payable	4,118,058	3,426,188
Deferred revenue (Note 5)	1,061,673	1,169,193
Line of credit (Note 6)	481,682	2,975,181
Current portion of capital lease obligations (Note 7)	148,740	139,186
Vacation entitlements payable	3,053,731	2,562,534
	12,296,566	16,684,309
Accrued pre-retirement obligation (Note 12)	2,119,953	1,665,125
Capital lease obligations (Note 7)	691,156	839,896
Deferred contributions (Note 8)		
Expenses of future periods	266,444	252,405
Capital assets	39,386,757	32,575,279
	$ 42,464,310	$ 35,332,705
Contingencies (Note 13)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	4,959,979	5,919,393
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(1,968,540)	(2,829,837)
	3,187,814	3,285,931
	$ 57,948,690	$ 55,302,945

APPROVED BY THE BOARD: _____ _____

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Restricted Donations	Unrestricted	2008	2007
Balance, beginning of year	$ 5,919,393	$ 196,375	$(2,829,837)	$ 3,285,931	$ 3,437,371
Excess (Deficiency) of revenue over expenses for the year	(179,533)	-	81,416	(98,117)	(151,440)
Investment in capital assets (Note 9)	(779,881)	-	779,881	-	-
Balance, end of year	$ 4,959,979	$ 196,375	$(1,968,540)	$ 3,187,814	$ 3,285,931

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF OPERATIONS

	2008	2007
REVENUE		
Amortization of deferred contributions	$ 1,877,017	$ 1,629,897
Ancillary programs	861,292	733,660
Manitoba Health (Note 10)	65,435,395	58,044,402
Northern patient transportation program recoveries	1,733,587	1,234,531
Other	1,367,867	1,522,123
Patient	1,024,184	460,818
	$ 72,299,342	$62,625,431
EXPENSES		
Acute care services	$ 29,949,193	$26,402,888
Amortization of capital assets	2,056,549	1,760,143
Ancillary operations	861,292	733,660
Community based - health services	7,375,908	6,074,990
Community based - home care	1,466,113	1,184,471
Community based - mental health	467,144	481,213
Land ambulance	237,048	227,928
Medical remuneration	15,003,588	15,533,416
Northern patient transportation program	6,833,650	5,587,709
Regional health authority	5,909,845	4,430,753
Support to seniors	30,000	30,000
Personal Care Home	2,207,129	1,329,700
	$ 72,397,459	$63,766,871
Excess of revenue over expenses for the year	$ (98,117)	$ (151,440)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

STATEMENT OF CASH FLOWS

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ (98,117)	$ (151,440)
Adjustments for		
Amortization of capital assets	2,056,549	1,760,143
Amortization of deferred contributions	(1,877,017)	(1,629,897)
	$ (81,415)	$ (21,194)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(1,550,681)	(826,640)
Due to Manitoba Health	2,066,965	(3,705,581)
Inventories	(25,073)	6,203
Prepaid expenses	(49,078)	(188,831)
Accounts payable	691,870	5,559
Vacation entitlements payable	946,025	(144,084)
Deferred revenue	(107,520)	81,349
Cash advance- Manitoba Health	-	3,000,000
	$ 1,972,508	$ (1,772,025)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(6,589,550)	$ (9,475,275)
Payments of capital lease obligation	(139,186)	(130,246)
Receipt of deferred contributions related to capital assets	10,002,117	9,739,241
Receipt of deferred contributions related to expenses of future periods	14,039	(294,739)
Advances on line of credit	(2,493,499)	275,089
	$ 793,921	$ 114,070
Increase in cash and cash equivalents during the year	2,847,844	(1,679,149)
Cash and cash equivalents, beginning of year	(3,280,526)	(1,601,377)
Cash and cash equivalents, end of year	$ (432,682)	$(3,280,526)
Represented by:		
Bank indebtedness	$ (432,682)	$(3,412,027)
Restricted cash	-	131,501
	$ (432,682)	$(3,280,526)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a not for profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using Canadian generally accepted accounting principles and the accrual basis of accounting. The accrual basis recognizes revenues as they become for not for profit organizations available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Reporting

These financial statements include the accounts of the following controlled not-for-profit organizations of the Authority:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor

New Accounting Policies

Effective April 1, 2007 the Organization adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants. (CICA).

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the organization has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recognized at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The organization is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The organization has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, vacation entitlements receivable, pre-retirement receivable, and the amounts due from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance, are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the organization's objectives, policies and processes for managing capital.

These changes in accounting policies were adopted effective April 1, 2008 and only require additional disclosures in the financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transportation. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Contributed Materials and Services

Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

The Authority's financial instruments consists of cash, accounts receivable, vacation entitlements receivable – Manitoba Health, pre-retirement receivable – Manitoba Health, Manitoba Health cash advance, vacation entitlement payable, bank indebtedness, accounts payable and accrued liabilities, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of cash, accounts receivable, vacation entitlements receivable, amounts due from the Province of Manitoba, accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – pre-retirement receivable approximates its fair value, as the annual interest accretion is funded.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

The Regional Health Authority did not take ownership of the Northern Spirit Manor until December 2007. Therefore, only a half years amortization had been taken for the March 31, 2007 year end.

Vacation Entitlements Receivable/Pre-retirement receivable – Manitoba Health

An offsetting receivable from Manitoba Health equal to the liability balance outstanding as at March 31, 2004 has been recorded.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Burntwood Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre - Retirement Obligation

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with specific directives. Transfers among net asset classes are recorded when approved by the Board of Directors.

1. **Accounts Receivable**

	2008	2007
Patients Receivable	$ 1,587,048	$ 334,355
Other	171,799	738,122
Goods and Services Tax	255,363	191,392
Northern Patient Transportation Program	2,664,696	1,830,356
Allowance for Doubtful Accounts	(363,154)	(329,154)
	$ 4,315,752	$2,765,071

2. **Due (to) from Manitoba Health**

2003-04 Medical Renumeration	$ -	(347,590)
2004-05 Medical Renumeration	-	181,836
2005-06 Medical Remuneration	-	1,237,015
2005-06 MAHCP Market Stabilization	-	61,211
2007-07 Immunization Funding	-	54,002
2007-07 Ultra Sound Funding	-	11,225
2007-07 Midwifery Funding	-	84,605
2007-07 MMA Arbitration Funding	-	23,500
2007-07 PCH Funding	(45)	1,408,061
2007-07 MAHCP Market Stabilization	-	155,272
2007-07 Medical Renumeration	2,180,119	2,180,119
2007-07 Waitlist Funding	-	51,950
2007-07 Interest on Approved Borrowing	-	(58,194)
2007-08 Web Sense	7,435	-
2007-08 Safety & Security Projects	198,531	-
2007-08 Immunization Funding	45,215	-
2007-08 Ilford	41,865	-
2007-08 Acquired Brain Injury Unit Funding	195,053	-
2007-08 Waitlist Initiatives	127,445	-
2007-08 Inter Facility Transfers	52,502	-
2007-08 MNU Market Supplement	127,927	-
	$ 2,976,047	$5,043,012

3. Capital Assets

	Cost	Accumulated Amortization	2008 Net Book Value	Cost	Accumulated Amortization	2007 Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	45,014,349	11,262,758	**33,751,591**	44,658,520	10,219,317	34,439,203
Computers	1,299,548	997,548	**302,000**	904,357	884,587	19,770
Equipment	16,093,913	12,570,492	**3,523,421**	18,058,292	13,368,986	4,689,306
Construction in Progress	8,077,608	-	**8,077,608**	3,286,962	-	3,286,962
	$70,499,112	$24,830,798	**$45,668,314**	$66,921,825	$24,472,890	$42,448,935

Included in capital asset additions during the year is interest of $165,057 which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $2.6 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenue consists of Manitoba Health funding received in the fiscal year for various programs. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenue balance for the year is as follows:

	2008	2007
Balance, beginning of year	**$1,169,193**	$1,087,844
Amount recognized as revenue in the current year	**(758,708)**	(836,716)
Funding received	**651,188**	918,065
Balance, end of year	**$1,061,673**	$1,169,193

6. Line of Credit

	2008	2007
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $7,381,000.	**$ 481,682**	$2,975,181

The Royal Bank line of credit is secured by a Letter of Comfort from Manitoba Health.

7. Capital Lease Obligation

	2008	2007
Burntwood Community Health Resource Centre		
The obligation under the capital lease is at an interest rate of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of $16,681 (principal and interest)	**$ 839,896**	$ 979,082
Amount due within one year included in current liabilities	**148,740**	139,186
	$ 691,156	$ 839,896

The obligation under capital leases is secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2009	$148,740
2010	$158,949
2011	$169,859
2012	$181,518
2013	$193,998

8. **Deferred Contributions**

a) **Expenses of future periods**

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2008	2007
Balance, beginning of year	$ 252,405	$ 547,144
Add amount received during year	14,039	26,974
Deduct: transfer re: community contribution to Personal Care Home	-	(321,713)
Balance, end of year	$ 266,444	$ 252,405

b) **Capital Assets**

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or funding received.

	2008	2007
Balance, beginning of year	$ 32,575,279	$24,465,934
Additional contributions received	10,002,117	9,739,242
Less amounts amortized to revenue	(1,877,017)	(1,629,897)
Less: transfer of DSM assets (Note 15)	(1,313,622)	-
Balance, end of year	$ 39,386,757	$32,575,279

9. Net Assets Invested in Capital Assets

a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$45,668,314	$42,448,935
Amount financed by:		
Deferred contributions	39,386,757	32,575,279
Lines of credit	481,682	2,975,181
Capital leases	839,896	979,082
	$ 4,959,979	$ 5,919,393

b) Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	$ 1,877,017	$1,629,897
Amortization of capital assets	2,056,550	1,760,143
	$ (179,533)	$(130,246)
Net changes in investment in capital assets		
Purchase of capital assets	$ 6,589,550	$9,475,275
Payment of capital lease obligation	139,186	130,246
Advances on line of credit	2,493,449	(275,089)
Manitoba Health – Capital asset funding	9,625,725	(9,272,993)
Manitoba Health deferred asset funding	(376,392)	(466,248)
	(779,881)	(408,809)
	$ (959,414)	$ (539,055)

10. **Revenue from Manitoba Health**

	2008	2007
Revenue as per Manitoba Health funding document	$ 65,448,755	$54,737,497
Add: 2007 – 2008 Waitlist funding	127,445	51,950
Personal Care Home 2007 – 2008 Operating revenue	-	1,268,064
Emergency Room Extra funding	-	205,937
Wage standardization and market adjustment	127,927	155,272
PDN Upgrade – RIS/PACS Project	2,825	9,946
Equipment funding	-	65,194
Medical remuneration	45,164	2,180,119
Ultra Sound maintenance contract	-	11,225
Immunization funding	-	52,399
Manitoba Health one time transfer	-	584,094
Midwifery funding 2007 - 2008	-	84,605
Reciprocal Revenue	252,275	-
Acquired Brain Injury Unit	195,053	-
Ilford	41,865	-
Louis Riel Day	37,580	-
Med 2020	33,662	-
Deferred Personal Care Home Recruitment	130,000	-
Dialysis	87,308	-
	$ 1,081,104	$ 4,668,805
Deduct:		
Nelson House PCH funding – flow through	$ (335,938)	$ (327,755)
Interest payable to Manitoba Health	-	(58,193)
Interest funding (actual)	(161,934)	(289,495)
	$ (497,872)	$ (675,443)
Total funding approved by Manitoba Health	$ 66,031,987	$58,730,859
Deduct:		
Amounts recorded as deferred contributions	(596,592)	(635,989)
Revenue from Manitoba Health	$ 65,435,395	$ 53,043,911

11. Pension Plans

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, and supplementary Notice to Members of September 24, 2003 indicates the current contribution levels are not adequate to fund the cost of benefits. Effective July 1, 2007, the contribution rates increased by 1.4% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $1,472,362 (2007 – $1,289,339) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability related to the Civil Service Superannuation Plan. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

12. Pre-retirement Obligations

	2008	2007
Members of the Health Employees Pension Plan	$ 1,920,423	$1,485,075
Members of the Civil Service Superannuation Plan	199,530	180,050
	$ 2,119,953	$1,665,125

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten year service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

The Authority undertook an actuarial valuation of the accrued pre-retirement entitlements as of March 31, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007- 5.00%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

13. Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

c) Due to the dismissal of three senior executives during the year, litigation proceedings were on going at the time of the audit report. The likelihood or financial implications if any, are not determinable at the time of this report.

14. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional Health Authority costs of $30,502 and an increase in ancillary costs of $30,502.

15. Transfer of DSM Assets

During the fiscal year, the Health Authority was advised by Manitoba Health that designated assets were to be transferred to Diagnostic Services of Manitoba Inc. at net book value. At the date of transfer the value of these assets were $1,313,622.

16. Economic Dependence

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

BDO Dunwoody LLP
Chartered Accountants
and Advisors

Auditors' Report

To the Board of Directors of
Churchill Regional Health Authority Inc.

We have audited the statement of financial position of Churchill Regional Health Authority Inc. (RHA) as at March 31, 2008, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2008, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 22, 2008

Churchill Regional Health Authority Inc.
Statement of Financial Position

March 31,	2008	2007
Assets		
Current Assets		
Cash and bank	$ 2,323,978	$ 1,659,065
Accounts receivable (note 2)	237,260	288,968
Due from Manitoba Health (note 3)	41,584	37,596
Inventory	347,575	399,287
Goods and Services Tax recoverable	44,640	41,429
Prepaid expenses	67,379	50,118
Accounts receivable - Province of Manitoba (note 4)	282,239	282,239
	3,344,655	2,758,702
Capital Assets (note 5)	3,740,311	4,100,628
Accounts Receivable - Province of Manitoba (note 4)	197,540	197,540
	$ 7,282,506	$ 7,056,870
Liabilities and Surplus (Deficiency) in Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 788,926	$ 628,056
Accounts payable - capital	25,508	122,279
Due to Manitoba Health (note 6)	1,935,000	1,687,954
Security deposits	13,617	12,067
Vacation, overtime and statutory holiday pay payable	340,616	330,897
Current portion of capital lease obligations (note 7)	8,160	14,736
	3,111,827	2,795,989
Capital Lease Obligations (note 7)	30,850	36,385
Pre-retirement Entitlements (note 8)	229,204	207,476
Deferred Contributions Related to Capital Assets (note 9)	3,671,480	4,030,144
	7,043,361	7,069,994
Surplus (Deficiency) in Net Assets		
Net assets invested in capital assets (note 10)	29,821	19,362
Externally restricted - separately funded programs (note 11)	(109,173)	(105,200)
Surplus in unrestricted net assets	318,497	72,714
	239,145	(13,124)
Contingencies (note 12)		
	$ 7,282,506	$ 7,056,870

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Changes in Net Assets

For the year ended March 31,

	Invested in Capital Assets	Separately Funded Programs	Surplus in Unrestricted Net Assets	2008 Total	2007 Total
Balance, beginning of year	$ 19,362	$ (105,200)	$ 72,714	$ (13,124)	$ (177,330)
Excess (deficiency) of revenue over expenses for the year	(32,810)	(3,973)	289,052	252,269	164,206
Net asset transfer (note 13)	43,269	-	(43,269)	-	-
Balance, end of year	$ 29,821	$ (109,173)	$ 318,497	$ 239,145	$ (13,124)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Churchill Regional Health Authority Inc.
Statement of Operations

For the year ended March 31,	2008	2007
Revenue		
Manitoba Health funded programs		
Hospital	$ 7,015,896	$ 6,910,971
Diagnostic Services	714,768	694,080
Dental Clinic	137,760	137,760
Community Services	1,031,315	916,892
Northern Patient Transportation Program	1,008,672	992,160
Land Ambulance	234,528	202,800
Home Care	115,656	114,528
Amortization of deferred contributions (note 9)	400,933	415,578
Offset income	847,200	852,699
	11,506,728	11,237,468
Separately funded programs		
Churchill Child and Family Services	411,422	304,149
Receiving Home	321,727	312,528
Nunavut Services	49,440	52,440
Families 'R' Us, Baby First and Healthy Baby programs	147,508	154,063
	930,097	823,180
Ancillary income, net (schedule)	77,413	97,328
	1,007,510	920,508
	12,514,238	12,157,976
Expenses		
Manitoba Health funded programs		
Hospital	6,722,406	6,616,637
Diagnostic Services	660,008	652,453
Dental Clinic	128,144	114,395
Community Services	865,565	786,424
Addictions Program	77,333	69,897
Northern Patient Transportation Program	965,841	972,932
Land Ambulance	299,354	294,629
Home Care	97,452	79,225
Amortization	425,443	453,404
Directors' fees and expenses	47,898	62,344
Employee future benefits	21,728	30,251
Interest and bank charges	16,605	4,588
Interest on obligations under capital lease	2,624	3,299
	10,330,401	10,140,478
Separately funded programs		
Churchill Child and Family Services	406,348	302,768
Receiving Home	396,050	360,235
Nunavut Services	37,307	36,266
Families 'R' Us, Baby First and Healthy Baby programs	94,363	153,503
	934,068	852,772
	11,264,469	10,993,250
Excess of revenue over expenses before other expense	1,249,769	1,164,726
Other expense		
Surplus repayable to Manitoba Health (note 6)	(997,500)	(1,000,520)
Excess of revenue over expenses for the year	$ 252,269	$ 164,206

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Cash Flows

For the year ended March 31,	2008	2007
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	$ 252,269	$ 164,206
Adjustments for		
Amortization of capital assets	425,443	453,404
Amortization of deferred contributions	(400,933)	(415,578)
	276,779	202,032
Net change in non-cash operating working capital		
Accounts receivable	51,708	(124,959)
Due from Manitoba Health	243,058	393,011
Inventory	51,712	(40,375)
Goods and Service Tax recoverable	(3,211)	(15,394)
Prepaid expenses	(17,261)	12,070
Accounts payable and accrued liabilities	160,870	25,822
Security deposits	1,550	(59)
Vacation, overtime and statutory holiday pay payable	9,719	(16,784)
	498,145	233,332
Increase in pre-retirement entitlement	21,728	30,251
	519,873	263,583
	796,652	465,615
Cash Flows provided by (used in) Investing and Financing Activities		
Purchase of capital assets	(299,967)	(371,439)
Payments on capital lease obligations	(12,111)	(11,438)
Receipt of contributions related to capital assets	277,110	509,035
Increase (decrease) in accounts payable - capital	(96,771)	79,541
	(131,739)	205,699
Increase in cash, during the year	664,913	671,314
Cash and bank, beginning of year	1,659,065	987,751
Cash and bank, end of year	$ 2,323,978	$ 1,659,065

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2008

Nature and Purpose of Organization

Churchill Regional Health Authority Inc. (RHA) is a non-profit organization incorporated in 1996 without share capital under the Corporations Act of Manitoba. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies followed by the Churchill Regional Health Authority Inc. are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Government funding.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from ancillary activities are recorded when the product is sold or when the service is rendered.

Management Estimates

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2008

Inventory

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital leases are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Building service equipment	4 - 10 %
Major equipment	6.7 - 20 %
Equipment under capital leases	20 %
Computer equipment	20 %

Separately Funded Programs

Adjustments to prior years, if any, resulting from a final review by the funding agency are reported in the statement of operations in the year the funding agency completes their review.

Accrued Benefit Entitlements

Benefit entitlements, which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.

Retirement Entitlement Obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Financial Instruments

The RHA utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The RHA classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The RHA's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, Due from Manitoba Health and the accounts receivable - Province of Manitoba. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred. The carrying value of all loans and receivables approximates their fair values. This applies to the long-term accounts receivable - Province of Manitoba as well as the annual interest accretion is funded.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals, due to Manitoba Health and vacation, overtime and statutory holiday payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred. The carrying value all financial liabilities approximate their fair value.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the RHA, are as follows:

Capital disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The RHA is currently assessing the impact of the new standard.

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The RHA is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The RHA is currently assessing the impact of the new standard.

March 31, 2008

1. Change in Accounting Policy

On April 1, 2007, the RHA retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3865, "Hedges", and Section 1506, "Accounting Changes". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the RHA's consolidated statement of operations.

2. Accounts Receivable

	2008	2007
General operating	$ 209,593	$ 214,557
Pharmacy	2,703	9,467
Separately funded	14,463	44,057
Daycare	27,343	21,042
Other	(16,842)	(155)
	$ 237,260	$ 288,968

3. Due from Manitoba Health

	2008	2007
Approved capital funding	$ 7,517	$ 7,517
Other	34,067	30,079
	$ 41,584	$ 37,596

4. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations and accrued vacation obligations has been capped at the amount owing as at March 31, 2004 being $197,540 and $282,239 respectively and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Churchill Regional Health Authority this outstanding receivable which will be repaid when required. Subsequent to March 31, 2004, the Province has included in its annual funding to the Churchill Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to the Churchill Regional Health Authority Inc.

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	$ 1,145,179	$ 701,690	$ 872,252	$ 666,469
Building service equipment	4,264,347	1,624,333	4,461,670	1,395,157
Major equipment	3,139,768	2,657,864	3,718,315	2,930,193
Computer equipment	696,522	521,618	522,987	482,777
Equipment under capital lease	121,427	121,427	121,427	121,427
	$ 9,367,243	$ 5,626,932	$ 9,696,651	$ 5,596,023
Net book value		$ 3,740,311		$ 4,100,628

6. Due to Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health. For the year ended March 31, 2008, the RHA recorded $997,500 (2007 - $937,500) as a surplus payable to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

	2008	2007
2005/2006 surplus repayable	$ -	$ 750,454
2006/2007 surplus repayable	937,500	937,500
2007/2008 surplus repayable	997,500	-
	$ 1,935,000	$ 1,687,954

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs, not paid by Manitoba Health, are absorbed by the RHA.

7. Capital Lease Obligations

The following is a schedule of minimum lease payments under capital leases, expiring between May 2008 and November 2011, together with the balance of the obligation under the capital lease.

2009	$ 10,156
2010	8,643
2011	8,643
2012	16,809
	44,251
Less imputed interest at 5.75%	5,241
	39,010
Less amount due within one year included in current liabilities	8,160
	$ 30,850

8. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

	2008	2007
Members of the Health Employees Pension Plan	$ 229,204	$ 207,476

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2008. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions.

- have ten years service and have reached the age of 55;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
- retire at or after age 65; or
- terminate employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the RHA's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit / promotion scale.

Funding of the retirement obligation is recoverable from Manitoba Health and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health has been capped at the amount of the liability owing as at March 31, 2004 being $197,540 as discussed in note 4. Subsequent to March 31, 2004, the Province has included in its annual funding to the Churchill Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The annual increase in obligation over the balance of the liability as at March 31, 2004 will be recognized as an expense in the statement of operations.

8. Pre-retirement Entitlements continued

b) Pension Plan

Most of the employees of the RHA are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The cost of the benefit plan is not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates that the Plan is in fully funded. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $253,141 (2007 - $251,066) and are included in the statement of operations.

9. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2008	2007
Balance, beginning of year	$ 4,030,144	$ 3,936,687
Add deferred contributions received in the current year	277,110	509,035
Less deferred contribution reduction - disposed capital assets	(234,841)	-
Less amount amortized to revenue in the year	(400,933)	(415,578)
Balance, end of year	$ 3,671,480	$ 4,030,144

10. Net Assets Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2008	2007
Capital assets	$ 3,740,311	$ 4,100,628
Deferred contributions related to capital assets	(3,671,480)	(4,030,144)
Capital lease obligations	(39,010)	(51,122)
	$ 29,821	$ 19,362

11. Externally Restricted - Separately Funded Programs

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2008	2007
Accumulated deficit - Receiving Home	$ (204,462)	$ (130,138)
Accumulated deficit - Churchill Child and Family Services	(17,008)	(22,083)
Accumulated surplus - Nunavut Services	47,989	35,857
Accumulated surplus - Families 'R' Us, Baby First, and Healthy Baby Programs	61,560	8,416
Accumulated surplus - Health Promotion	2,748	2,748
	$ (109,173)	$ (105,200)

12. Contingencies

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims would not have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2008.

13. Net Asset Transfer

The transfer of net assets to the amount invested in capital assets from unrestricted net assets is determined as follows.

	2008	2007
Capital asset additions	$ (308,267)	$ (371,439)
Annual funding for capital assets purchases	277,110	509,035
Capital lease debt payments	(12,112)	(11,437)
	$ (43,269)	$ 126,159

14. Revenue from Manitoba Health

Revenue as per Manitoba Health's final funding document	$ 10,457,952	
Deduct:		
Capital interest	(72,624)	
Total funding approved by Manitoba Health	10,385,328	
Deduct:		
Amounts recorded as deferred contributions	$ (250,080)	$ 10,135,248

Revenue from Manitoba Health - Statement of Operations

Hospital	$ 7,015,896	
Diagnostic Services	714,768	
Dental Clinic	137,760	
Community Services	1,031,315	
Northern Patient Transportation Program	1,008,672	
Land Ambulance	234,528	
Home Care	115,656	
Less - other sources of income	$ (123,347)	$ 10,135,248

Churchill Regional Health Authority Inc.
Schedule of Ancillary Income

For the year ended March 31,	2008	2007
Children's Centre, net (gross $261,655, 2007 - $265,216)	$ (2,542)	$ 11,350
Retail pharmacy, net (gross $500,398, 2007 - $597,455)	68,732	80,060
Gift shop and vending machine, net (gross $49,271, 2007 - $38,672)	4,487	302
Donations, net (gross $-, 2007 - $2,000)	-	843
Non-Manitoba Health funded specialists	6,736	4,773
	$ 77,413	$ 97,328

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
INTERLAKE REGIONAL HEALTH AUTHORITY INC.:

We have audited the consolidated statement of financial position of **INTERLAKE REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 27, 2008

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and term deposits	$ 4,445,500	$ 4,861,818
Accounts receivable	1,218,437	1,453,709
Due from Manitoba Health (Note 3)	2,261,548	1,346,816
Inventories	741,247	809,372
Prepaid expense	606,251	735,401
Vacation entitlements receivable (Note 4)	3,688,400	3,688,400
	12,961,383	12,895,516
Retirement obligations receivable (Note 12)	4,183,222	4,183,222
Other assets	110,637	123,928
Capital assets (Note 5)	44,546,225	46,181,128
	$ 61,801,467	$ 63,383,794

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2008	2007
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 6,605,002	$ 5,821,435
Accrued vacation entitlements (Note 4)	4,570,645	4,426,132
Current portion of long-term debt (Note 7)	50,338	47,529
	11,225,985	10,295,096
Accrued retirement obligations (Note 12)	5,475,722	5,462,445
Due to Betel Home Foundation (Note 13)	58,600	117,200
Long-term debt (Note 7)	534,432	585,077
Deferred Contributions (Note 8)		
Expenses of future periods	1,463,312	1,575,237
Capital assets	40,840,993	42,360,995
	42,304,305	43,936,232
Commitments and contingencies (Note 11)		
Net Assets		
Investment in capital assets (Note 9)	3,120,462	3,187,527
Externally restricted (Note 15)	726,442	741,445
Internally restricted (Note 15)	208,145	206,953
Unrestricted - RHA	(2,214,129)	(1,175,756)
Unrestricted - Contract Facilities	361,503	27,575
	2,202,423	2,987,744
	$ 61,801,467	$ 63,383,794

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba		
Health (Note 10)	$ 90,175,829	$ 83,733,578
Client Non-Insured	5,630,591	5,346,212
Interest	214,113	286,767
Offset and other income	2,433,938	2,691,197
Ancillary income	185,597	186,931
Amortization of deferred contributions	2,800,280	2,612,418
	101,440,348	94,857,103
Expenditures		
Acute care services	26,726,049	25,607,922
Amortization of capital assets	2,838,955	2,651,172
Ancillary operations operating expenditures	126,541	114,630
Chemotherapy	245,507	232,781
Community health	8,951,021	8,215,402
Home based care	11,200,219	10,739,888
Diagnostic services	6,595,879	5,966,201
Dialysis	1,047,341	814,565
Emergency response and transport	6,262,000	5,214,995
Long-term care services	22,623,922	21,387,262
Mental health services	4,313,833	4,069,404
Medical remuneration	7,452,201	6,944,607
Nurse recruitment and retention	49,371	60,599
Regional undistributed expenditures	3,497,784	2,971,384
Safety and renovations	226,761	317,806
	102,157,384	95,308,618
Deficiency of revenue over expenditures before other item	(717,036)	(451,515)
Other Item		
Retirement obligation funding 2005/2006 (Note 10)	-	96,905
Deficiency of revenue over expenditures for the year	$ (717,036)	$ (354,610)
Allocated as follows:		
Regional services	$ (1,055,515)	$ (416,859)
Contracted services	338,479	62,249
	$ (717,036)	$ (354,610)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Investment in Capital Assets (Note 9)	Externally Restricted (Note 15)	Internally Restricted (Note 15)	Unrestricted - RHA	Unrestricted - Contract Facilities	**2008** Total	2007 Total
Balance, beginning of year	$ 3,187,527	$ 741,445	$ 206,953	$ (1,175,756)	$ 27,575	$ 2,987,744	$ 3,306,809
Reallocation of interest earned on donation and externally restricted funds	-	31,282	39,192	(70,474)	-	-	-
Change in externally restricted net assets	-	(30,285)	(38,000)	-	-	(68,285)	(4,000)
Funding Adjustment	-	-	-	-	-	-	39,545
Excess (deficiency) of revenue over expenditures for the year	(38,675)	-	-	(1,016,840)	338,479	(717,036)	(354,610)
Net changes in investment in capital assets	(28,390)	(16,000)	-	48,941	(4,551)	-	-
Balance, end of year	$ 3,120,462	$ 726,442	$ 208,145	$ (2,214,129)	$ 361,503	$ 2,202,423	$ 2,987,744

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (717,036)	$ (354,610)
Adjustments for		
Amortization of capital assets	2,838,955	2,651,172
Amortization of deferred contributions related to capital assets	(2,800,280)	(2,612,418)
Prior year funding adjustment	-	39,545
Deferred contributions - expenses of future periods		
Receipts	1,510,736	1,702,861
Expenditures	(1,622,661)	(1,627,303)
	(790,286)	(200,753)
Changes in non-cash working capital		
Accounts receivable	235,272	(9,143)
Due from (to) Manitoba Health	(914,732)	(1,680,934)
Inventories	68,125	41,120
Prepaid expense	129,150	(154,347)
Accounts payable and accrued liabilities	783,567	374,176
Accrued vacation entitlements	144,513	(50,614)
	445,895	(1,479,742)
Accrued retirement obligations	13,277	503,558
	(331,114)	(1,176,937)
Cash Flows from Investing Activities		
Purchase of capital assets	(2,548,084)	(2,314,962)
Other assets	13,291	(84,580)
	(2,534,793)	(2,399,542)
Cash Flows from Financing Activities		
Repayment of long-term debt	(47,836)	(109,681)
Repayment of funds to Foundations	(58,600)	(58,600)
Receipt of deferred contributions related to capital assets	2,624,310	1,761,902
Payout of externally restricted net assets	(68,285)	(4,000)
	2,449,589	1,589,621
Net decrease in cash and term deposits	(416,318)	(1,986,858)
Cash and term deposits, beginning of year	4,861,818	6,848,676
Cash and term deposits, end of year	$ 4,445,500	$ 4,861,818
Supplementary Information		
Interest paid during the year	$ 28,394	$ 22,794

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2008

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements are recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Revenue Recognition (continued)

Conversely, any operating deficits related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Compensated Absences

Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Authority's benefit plans for vacation and retirement allowances.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2008

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5%
Buildings	3.33% and 5%
Ambulances	20%
Equipment and computers	10% - 20%

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2008

Financial Instruments

The Authority utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Authority's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments (guaranteed investment certificates). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from the Province of Manitoba, vacation entitlements receivable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Authority, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Authority is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Authority is currently assessing the impact of the new standard.

1. Entity Definition and Basis of Financial Statements

Interlake Regional Health Authority Inc. was incorporated under the laws of the Province of Manitoba. The Authority commenced providing health care services on April 1, 1997 in the Interlake Region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed.

Two facilities within the region operate under contract arrangements for funding with the Authority. They are Betel Home - Gimli and Betel Home - Selkirk. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

On April 1, 2007, the Authority retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Authority's consolidated statement of operations.

3. Due from (to) Manitoba Health

	2008	2007
Selkirk Surgical Program waitlist	$ 668,500	$ 668,500
07/08 CUPE wage standardization	439,600	-
07/08 MNU wage standardization	280,500	-
07/08 IUOE wage standardization	162,016	-
Other wage standardization	100,000	-
Interfacility ambulance transfers	238,520	167,989
Safety & Security	122,834	97,527
Hep B Immunization program	84,153	114,201
Eriksdale Ultrasound funding	33,360	-
Percey E. Moore related costs	31,483	-
Laptop encryption software	10,000	-
Spiritual care program	5,750	-
Out of Globe 2003/04	-	(392,644)
Out of Globe 2004/05	-	32,971
Out of Globe 2005/06	-	(235,755)
Out of Globe 2006/07	264,330	359,362
Out of Globe 2007/08	(431,440)	-
07/08 MGEU P/T market supplement	251,942	-
05/06 MGEU CS market supplement	-	49,558
06/07 MGEU CS market supplement	-	118,102
05/06 MGEU EMS market supplement	-	71,667
06/07 MGEU EMS market supplement	-	71,667
Supportive Housing - St. Laurent	-	26,425
Board orientation and education	-	3,196
Physician stabilization initiative	-	194,050
	$ 2,261,548	$ 1,346,816

4. Accrued Vacation Entitlements

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 3,688,400	$ 3,688,400
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 3,688,400	$ 3,688,400

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	$ 4,426,132	$ 4,476,744
Net increase (decrease) in accrued vacation entitlements	144,513	(50,612)
Balance, end of year	$ 4,570,645	$ 4,426,132

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 180,667	$ -	$ 178,367	$ -
Land improvements	370,102	370,102	370,102	370,102
Buildings	61,307,458	26,393,872	59,992,079	24,967,240
Ambulances	183,621	183,621	183,621	183,621
Equipment	17,440,853	11,473,490	19,074,658	11,673,265
Equipment - computers	1,884,823	1,211,997	1,626,363	976,449
Construction in progress	2,811,783	-	2,926,615	-
	$ 84,179,307	$ 39,633,082	$ 84,351,805	$ 38,170,677
Cost less accumulated amortization		$ 44,546,225		$ 46,181,128

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate less 0.75% and is supported by an authorization letter from Manitoba Health.

7. Long-term Debt

	2008	2007
CMHC mortgage payable, bearing interest at 4.63% per annum, due September 1, 2017 and requiring monthly principal and interest payments of $6,338, secured by a first charge on land and building (Stonewood Place)	$ 584,770	$ 632,606
Current portion of long-term debt	50,338	47,529
	$ 534,432	$ 585,077

Principal payments due in the next five years and thereafter are as follows:

2009	$ 50,338
2010	52,634
2011	55,099
2012	57,641
2013	60,547
Thereafter	308,511
	$ 584,770

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs.

	2008	2007
Balance, beginning of year	**$ 1,575,237**	$ 1,499,679
Additional amounts received during year	**1,461,568**	1,653,693
Funding for reserve for major repairs	**49,168**	49,168
Less 2007/2008 expenditures	**(1,622,661)**	(1,627,303)
Balance, end of year	**$ 1,463,312**	$ 1,575,237

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2008	2007
Balance, beginning of year	**$ 42,360,995**	$ 43,211,511
Additional contributions received, net	**2,624,310**	1,761,902
Less amounts transferred to DSM	**(1,344,032)**	-
Less amounts amortized to revenue	**(2,800,280)**	(2,612,418)
Balance, end of year	**$ 40,840,993**	$ 42,360,995

9. Investment in Capital Assets

	2008	2007
a) Investment in capital assets is calculated as follows:		
Capital assets	$ 44,546,225	$ 46,181,128
Amounts financed by		
Deferred contributions	40,840,993	42,360,995
Long-term debt	584,770	632,606
	$ 3,120,462	$ 3,187,527

b) Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 2,800,280	$ 2,612,418
Amortization of capital assets	(2,838,955)	(2,651,172)
	$ (38,675)	$ (38,754)
Net changes in investment in capital assets		
Purchase of capital assets	$ 2,548,084	$ 2,314,962
Amounts funded by		
Manitoba Health funding	(2,441,963)	(1,649,838)
Donations	(182,347)	(112,064)
Repayment of long-term debt	47,836	109,681
	$ (28,390)	$ 662,741

10. Revenue from Manitoba Health

		2008	2007
Revenue from Manitoba Health			
Revenue as per Manitoba Health's final funding document		**$ 86,917,186**	$ 81,189,535
Debt interest allocation		**(257,772)**	(436,181)
Equipment allocation		**(398,332)**	(398,328)
Funds for loans held by the Province of Manitoba		**(362,834)**	(686,376)
Reserve for major repairs funding		**(26,965)**	(26,976)
		85,871,283	79,641,674
Add:	Selkirk Surgical Expansion	**668,500**	668,500
	CUPE wage standardization	**601,616**	94,477
	MNU wage standardization	**280,500**	-
	Other wage standardization	**100,000**	-
	MGEU Community support wage standardization	**-**	167,660
	Interfacility ambulance transfers	**783,555**	233,478
	Safety and renovations	**226,761**	317,806
	Influenza and Hep B	**156,593**	186,641
	Percy E. Moore related cost reimbursement	**31,483**	-
	Spiritual care	**5,750**	-
	Out-of-globe items and adjustments	**(526,124)**	667,474
	MGEU P/T Market supplement	**251,942**	143,334
	Children's therapy initiative	**60,426**	21,504
	Speech wait list initiative	**8,333**	41,667
	Long-term care strategy	**23,166**	26,425
	Healthy Child Programs	**924,267**	858,872
	Nurse recruitment and retention	**49,371**	60,598
	Early years research program	**90,875**	75,300
	Mobile ultrasound funding	**33,360**	-
	Chronic disease prevention	**71,375**	39,433
	Mental health wait list	**167,300**	83,650
	St. Paul EMS station	**42,000**	-
	Louis Riel Day funding	**169,899**	-
	Provincial Data Network	**46,616**	122,682
	Cardiac Care	**36,523**	7,962
	Risk Factor Complication Assessments	**459**	13,605
	Physician stabilization initiative	**-**	194,050
	ER Physician - Hard to fill Shift Initiative	**-**	23,400
	Retirement obligation funding 2005/2006	**-**	96,905
	French Language Services	**-**	43,386
Total Revenue from Manitoba Health		**$ 90,175,829**	$ 83,830,483
Represented as:			
Operating revenue		**$ 90,175,829**	$ 83,733,578
Other item - Retirement obligation funding 2005/2006		**-**	96,905
		$ 90,175,829	$ 83,830,483

11. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

The Authority's coverage also includes contract facilities as named insured parties.

12. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2008. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3.0% in 2007) plus an age related merit/promotion scale.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

12. Employee Future Benefits (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 5,462,445	$ 4,958,887
Net increase in pre-retirement entitlements	13,277	503,558
Balance, end of year	$ 5,475,722	$ 5,462,445

b) Pension plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of salary under $44,900 and 8.4% of salary over $44,900 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,935,370 (2007 - $2,731,554) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

13. Due to Betel Home Foundation

The amount payable to Betel Home Foundation - Pathfinders' Benevolent Fund by the contract facilities is non-interest bearing with no specified terms of repayments.

14. Related Parties

The contract facilities, Betel Home - Selkirk, and Betel Home - Gimli, are operated by the Betel Home Foundation. Any fundraising of the Betel Home Foundation is solely for the benefit of the contract facilities.

15. Net Assets - Internal Restrictions and External Restrictions

Internal Restrictions

The Board of Directors has internally restricted $39,192 (2007 - $32,222) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $208,145 (2007 - $206,953). These are Board restricted to community based health promotion projects and recruitment initiatives.

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Interlake Regional Health Authority, including accumulated interest. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated.

16. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's results.

KENDALL WALL PANDYA

Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957
118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2008 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nor-Man Regional Health Authority Inc. as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya

Flin Flon, MB
June 18, 2008

Chartered Accountants

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2008

ASSETS

	Notes	2008	2007
CURRENT ASSETS			
Accounts receivable	2a	$ 1,453,395	$ 1,394,053
Due from Manitoba Health	2b	4,655,662	4,982,851
Inventories		394,674	426,684
Prepaid expenses		350,587	136,474
		6,854,318	6,940,062
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	3	32,799,670	29,347,069
		$42,308,360	$38,941,503

LIABILITIES

CURRENT LIABILITIES			
Bank indebtedness		$ 4,898,381	$ 3,838,221
Accounts payable		3,623,446	3,811,752
Accrued vacation benefits entitlement		1,554,408	1,293,136
Current portion of capital leases		41,277	42,347
Current portion of long-term debt		331,478	-
		10,449,010	8,985,456
LONG-TERM DEBT	4	2,873,778	-
CAPITAL LEASES	5	106,852	148,129
VACATION AND OVERTIME ENTITLEMENT	6	2,704,000	2,670,000
DEFERRED CONTRIBUTIONS			
Expenses of future periods		1,643,217	1,611,734
Capital assets		28,533,408	25,725,335
		30,176,625	27,337,069
NET ASSETS			
Invested in capital assets	8	1,420,417	983,713
Restricted	9	3,991	3,991
Unrestricted		(5,925,463)	(1,186,855)
		$42,308,360	$38,941,503

COMMITMENTS (Note 11)

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Manitoba Health - Note 7	$66,378,456	$58,307,900
Non-insured income	5,805,451	5,455,168
Other income	4,033,313	3,640,419
Amortization of deferred contributions	3,247,229	3,765,889
Ancillary revenue	1,269,019	1,333,529
	80,733,468	72,502,905
EXPENSES		
Acute care	33,308,341	30,398,924
Long-term care	9,103,655	8,178,432
Medical remuneration	12,075,304	9,881,057
Community based therapy	-	180,465
Community services co-ordination	737,191	600,114
Community based mental health	1,221,892	1,190,995
Community based home care	4,493,238	4,416,349
Community based health	3,538,896	3,412,021
Land ambulance	2,517,290	2,024,128
Unallocated Regional health authority costs	3,558,597	3,331,219
Amortization of capital assets	3,232,943	3,891,234
Interest on capital lease	15,397	2,801
Northern Patient Transportation	5,137,010	4,844,250
Pre - retirement	587,258	605,305
Rosaire House Addictions Centre	706,656	657,560
Ancillary expenses	1,422,082	1,165,384
	81,655,750	74,780,238
DEFICIENCY OF REVENUE OVER EXPENSES	$(922,282)	$ (2,277,333)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	Investment in Capital Assets	Restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	$ 363,713	$ 871	$(5,165,948)	$(4,181,364)	$(1,904,031)
(Deficit) from operations	(363,713)	2,720	(1,351,706)	(922,282)	(2,277,333)
Balance, end of year	$ -0-	$ 3,591	$(6,517,654)	$(5,103,646)	$(4,181,364)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2006

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve for Major repairs and improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	115,651	$130,807	708,544	964,002	28,075,714
Contributions	8,152	-	-	8,152	3,785,857
Transfer of funds from donations for capital assets	-	(109,897)	-	(109,897)	109,897
Donations	-	91,413	-	91,413	-
Amortization - capital	-	-	-	-	(3,938,042)
Grants	-	-	90,637	90,637	-
Balance, End of year	$ 123,803	$121,323	$799,181	$1,044,307	$28,033,426

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$(922,282)	$(2,277,333)
Items not affecting cash		
Amortization of capital assets	3,232,943	3,891,234
Amortization of deferred contributions	(3,247,229)	(3,765,889)
Change in non-cash working capital	178,637	2,602,415
Change in pre-retirement liability	221,886	210,618
	(536,045)	661,045
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(1,703,616)	(893,030)
Construction in progress expenditures	(2,604,557)	(2,568,773)
Receipt of contributions relating to capital assets	3,895,754	3,464,607
Receipt of contributions relating to expenses of future periods	80,304	(67,019)
	(332,115)	(64,215)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(868,160)	596,830
CASH (BANK INDEBTEDNESS), beginning of year	(3,030,221)	(3,627,051)
CASH (BANK INDEBTEDNESS), end of year	$(3,898,381)	$(3,030,221)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2008

NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast to Flin Flon in the northwest. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided some requirements of the Income Tax Act are met.

ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not for profit organizations and reflect the following policies:

(a) CONTRIBUTED SERVICES

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY

Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value.

(c) PRE-RETIREMENT ENTITLEMENT OBLIGATIONS

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants Handbook.

(d) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Externally restricted donations are recognized as direct increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Equipment	10.0%
Computer equipment	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

(f) EXTERNAL RESTRICTIONS

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the St. Paul Residents Trust Fund. Investment income from this fund is restricted for residents expenses.

(g) REVENUE FROM MANITOBA HEALTH

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

(h) NEW ACCOUNTING POLICIES

Effective April 1, 2007 the Health Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Health Authority has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur.

(h) NEW ACCOUNTING, POLICIES (continued)

The adoption of this revised standard had no material impact on the Health Authoritys financial statements for the year ended March 31, 2008.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recognized at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Health Authority is required to designate its financial instruments into one of the following five categories: held for trading, available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Health Authority has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, and the amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued vacation benefits are classified as other financial liabilities. These financial liabilities are recorded at at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Health Authoritys financial statements for the year ended March 31, 2008.

(i) FINANCIAL INSTRUMENTS

The Health Authoritys financial instruments consist of cash, accounts receivable, due from the Province of Manitoba - vacation benefits and post employment benefits, accounts payable and accrued vacation benefits.

(i) FINANCIAL INSTRUMENTS (continued)

The fair value of cash, accounts receivable, due from the Province of Manitoba - vacation pay, accounts payable and accrued vacation benefits approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba - post employment receivable approximates its fair value, as the annual interest accretion is funded.

Unless otherwise noted, it is managements opinion that the Health Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

(j) FUTURE ACCOUNTING POLICY CHANGES

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to the Health Authority, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Health Authoritys objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

(k) USE OF ESTIMATES/MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

1. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

2. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	2008	2007
(a) Accounts Receivable		
Ambulance	$ 823,279	$ 831,498
Residents	408,135	419,933
Employees computer loans	78,505	89,305
Government of Canada	182,519	78,456
Other government agencies	-	53,848
Sundry	27,453	1,646
	1,519,891	1,474,686
Less allowance for doubtful accounts	(66,496)	(80,633)
	$1,453,395	$1,394,053
(b) Due from Manitoba Health		
Out of Globe - 2006	$ -	$2,399,347
Out of Globe - 2007	2,371,725	2,005,033
Out of Globe - 2008	1,610,555	—
Recovery from Saskatchewan		
payable to Manitoba - 2005	(891,946)	(891,946)
payable to Manitoba - 2007	(1,500,000)	(1,500,000)
Ancillary Programs	225,394	69,753
Approved capital funding		60,730
Vacation benefit entitlements	2,839,934	2,839,934
	$4,655,662	$4,982,851
(c) Due from Manitoba Health		
Pre-retirement obligation entitlements	$2,654,372	$2,654,372

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to Norman Regional Health Authority Inc., an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

3. DEFERRED CONTRIBUTIONS

(d) Expenses of future periods

(i) Funds in reserve for major repairs and improvements

Deferred contributions related to funds in reserve for major repairs and improvements represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

(ii) Donations

Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

3. DEFERRED CONTRIBUTIONS (continued)

(iii) Grants

Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Related to capital assets

Deferred capital contributions represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

4. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2008	2007
Capital assets	$ 32,799,670	$ 29,347,068
Amounts financed by:		
Deferred contributions	(28,033,426)	(28,075,714)
Long-term debt	(3,355,827)	(287,641)
	$ 1,410,417	$ 983,713

5. CAPITAL ASSETS

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 279,715	$ 319,345
Buildings	39,434,133	17,212,192	22,221,941
Computer equipment	1,685,229	1,200,510	484,719
Equipment	7,551,996	3,683,346	3,868,650
Construction in Progress	2,452,413	0	2,452,413
	$51,722,831	$22,375,763	$29,347,068

	2008		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 286,342	$ 312,718
Buildings	43,739,977	19,706,135	24,033,842
Computer equipment	1,620,226	1,268,767	351,459
Equipment	5,083,700	2,508,015	2,575,685
Construction in Progress	2,604,557	0	2,604,557
Energy Retro Fit Guarantee	2,921,409	0	2,921,409
	$56,568,929	$23,769,259	$32,799,670

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2008	2007
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$3,894,222	$3,672,336

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached the age of 55 or
(ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
(iii) retire at or after age 65
(iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation May 12, 2008 of the accrued retirement entitlements as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.50% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of $2,654,372.

7. REVENUE FROM MANITOBA HEALTH

Revenue from Manitoba Health:		
Revenue per Manitoba Health's March 15/08 funding document		$64,884,106
Other Manitoba Health Revenue - One Time		
Various	3,866,535	
Amounts Received March 31/08	228,262	4,094,797
Add: Accruals Approved by Manitoba Health:		
MNU Negotiated settlement	195,210	
MB AR - Third Party dept reconciliation	29,147	
2007-2008 Immunization Funding	57,771	
ICT Small projects commitment MB Health	9,599	
2006-2007 SEIU Wage Standardization	364,749	
Medical Remuneration Receivable	787,214	
2007 2008 SEIU Wage Standardization	261,749	
2007-2008 MAHCP Wage Standardization	128,587	
2007-2008 TPCH Capital Operating ER/SCU	133,648	1,967,674

7. **REVENUE FROM MANITOBA HEALTH (continued)**

Deduct: Amounts received for prior year MB Health Accounts Receivable		
Medical Remuneration (2005-2006)	(2,348,685)	
MAHCP Market Adjustments (2005-2006)	(50,662)	
Debt Servicing	1,149	
Immunization Funding (2006-2007)	(52,485)	
Retinal Screening Program (2006-2007)	(17,267)	(2,467,950)
Capital: Recognized as Deferred Contributions		
Basic Equipment	(227,569)	
Principal - Acute	(599,042)	
Principal - LTC	(248,105)	
Reserve - LTC	(8,153)	
Interest - Acute	(347,720)	(1,430,589)
Capital: Projects (Cash Reimbursement)		
2006-2007 Specialized Equipment	(78,953)	
Sundry 2008 projects	(157,065)	(236,018)
Other Revenue		
IPT Billings	(237,685)	
Board Expenses	(2,307)	
Payment for invoices recorded via FF AR	(5,340)	
Med2020 Invoice	(30,768)	
Retinal Screening	(17,267)	
Risk Factor	(50,000)	
TF Kitchen Counter Replacement	(24,482)	
Other	(65,715)	(433,564)
Revenue from Manitoba Health		66,378,446

8. **PENSION PLAN**

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountant's Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

8. PENSION PLAN (continued)

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2004, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $1,903,307 (2007 - $1,819,454) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

9. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered Charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at $17,264 (2007 - $17,201).

10. ENERGY RETROFIT/MANUFACTURER'S LIFE INSURANCE COMPANY LOAN

During the year, the Health Authority entered into an agreement with the Government of Canada, Department of Natural Resource to receive Energy Retro-fit Assistance. Under the terms of the agreement, MCW Custom Energy Solutions Ltd (MCW) manages and contracts the work to be performed with the amounts per of the grants, funded by Manufacturers Life Insurance Company (Manufacturers). The Health Authority pays a monthly amount equivalent to the energy savings to Manufacturers with MCW providing an annual payment to the Health Authority for any deficiency of estimated energy savings to actual energy savings.

Although this project is expenditure neutral, the asset and loan have been reflected in these financial statements to ensure payments to third parties are adequately reflected. An expected payout of September, 2021 is implicit in this project with interest at the rate of 6.3%.

11. COMMITMENTS

(a) The Authority has entered into a 5 year operating lease at $60,000 per annum and two 15 year operating leases totalling $211,200 per annum for buildings housing some of its operations. Annual lease payments over the next five years are as follows:

2009	$271,200
2010	$271,200
2011	$211,200
2012	$211,200
2013	$211,200

Aggregate future minimum operating lease payments total $2,654,400.

(b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The $3,553,987 principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

2009	$427,371
2010	$418,560
2011	$418,560
2012	$373,549
2013	$272,880

12. CAPITAL LEASE

The Authority has entered into a 6 year capital lease with the Royal Bank of Canada to purchase beds costing $294,532. Lease payments of $4,846 per month include interest at 5.74%. Lease principal payments over the next five years are as follows:

2009	$ 45,277
2010	$ 47,946
2011	$ 50,771
2012	$ 53,764
2013	$ 47,126

Aggregate future capital lease payments total $281,068 including $36,184 of imputed expenses.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
NORTH EASTMAN HEALTH ASSOCIATION INC.

We have audited the statement of financial position of NORTH EASTMAN HEALTH ASSOCIATION INC. as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 23, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and bank	$ 3,815,849	$ 2,518,019
Accounts receivable (Note 3)	689,707	781,248
Due from Manitoba Health (Note 4)	162,627	654,123
Inventories	615,265	509,098
Prepaid expense	138,849	118,560
Employee benefits recoverable (Note 5)	1,796,024	1,796,024
	7,218,321	6,377,072
Retirement obligations recoverable (Note 5)	1,729,643	1,729,643
Capital assets (Note 6)	30,505,325	31,445,871
	$ 39,453,289	$ 39,552,586
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 2,355,037	$ 2,169,123
Employee benefits payable (Note 5)	2,583,206	2,527,641
Current portion of long-term debt (Note 7)	89,019	78,353
	5,027,262	4,775,117
Accrued retirement obligations (Notes 5 and 14)	2,418,342	2,208,395
Long-term debt (Note 7)	1,193,758	1,252,442
Deferred Contributions		
Expenses of future periods (Note 8a)	1,428,011	1,333,252
Capital assets (Note 8b)	28,425,242	29,330,414
	33,465,353	34,124,503
	38,492,615	38,899,620
Commitments and contingencies (Note 12)		
Net Assets		
Investment in capital assets (Note 9)	1,183,918	1,205,032
Externally restricted (Note 10)	245,963	270,962
Unrestricted - RHA	(469,207)	(823,028)
	960,674	652,966
	$ 39,453,289	$ 39,552,586

Approved on behalf of the Board:

_____ Director

_____ Director

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Manitoba Health income (Note 11)	**$ 44,064,541**	$ 40,503,208
Non-Insured income	**2,826,837**	2,714,002
Offset and other income	**2,478,194**	2,364,977
Amortization of deferred contributions	**1,499,647**	1,573,513
Ancillary income	**306,429**	329,165
	51,175,648	47,484,865
Expenditures		
Acute care services	**11,396,064**	10,538,538
Amortization of capital assets	**1,508,416**	1,588,461
Ancillary operations operating expenditures	**285,115**	315,207
Ancillary operations amortization	**63,425**	63,425
Community based home care	**5,516,701**	5,195,605
Dialysis	**371,058**	287,818
Health promotion/prevention and primary care	**6,444,771**	5,814,962
Interest on long-term debt	**39,213**	40,135
Lab and imaging services	**2,515,190**	2,289,686
Land ambulance program	**2,677,388**	2,450,965
Long-term care services	**14,470,010**	13,812,582
Medical remuneration	**2,701,611**	2,589,331
Northern patient transportation program	**152,774**	165,374
Regional health authority	**2,665,414**	2,614,708
	50,807,150	47,766,797
Excess (deficiency) of revenue over expenditures before other items	**368,498**	(281,932)
Other Items		
One time Pre-retirement settlement (Note 11)	**-**	531,767
Excess of revenue over expenditures for the year	**$ 368,498**	$ 249,835

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Changes in Net Assets

For the year ended March 31	Investment in Capital Assets (Note 9)	Externally Restricted (Note 10)	Unrestricted RHA	2008 Total	2007 Total
Balance, beginning of year	$ 1,205,032	$ 270,962	$ (823,028)	$ 652,966	$ 403,659
Transfers from (to) unrestricted net assets	53,106	-	(53,106)	-	-
Sale of building	(58,300)	-	-	(58,300)	-
Purchase of equipment from other funds	56,274	(24,999)	(33,765)	(2,490)	(528)
Excess (deficiency) of revenue over expenditures for the year	(72,194)	-	440,692	368,498	249,835
Balance, end of year	$ 1,183,918	$ 245,963	$ (469,207)	$ 960,674	$ 652,966

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 368,498**	$ 249,835
Adjustments for		
Amortization of capital assets	**1,571,841**	1,651,886
Amortization of deferred contributions related to capital assets	**(1,499,647)**	(1,573,513)
Net change in employee benefits	**265,512**	822,271
	706,204	1,150,479
Changes in non-cash working capital		
Accounts receivable	**91,541**	(193,900)
Due from/to Manitoba Health	**491,496**	(261,129)
Inventories	**(106,167)**	(41,704)
Prepaid expense	**(20,289)**	(61,008)
Accounts payable and accrued liabilities	**185,914**	(236,446)
	1,348,699	356,292
Cash Flows from Investing Activities		
Purchase of capital assets	**(1,139,438)**	(2,278,498)
Cash Flows from Financing Activities		
Advances on long-term debt	**35,000**	-
Repayment of long-term debt	**(83,018)**	(75,192)
Increase in deferred contributions related to expenses of future periods, net	**163,144**	186,244
Receipt of deferred contributions related to capital assets	**973,443**	2,304,971
	1,088,569	2,416,023
Net increase in cash	**1,297,830**	493,817
Cash, beginning of year	**2,518,019**	2,024,202
Cash, end of year	**$ 3,815,849**	$ 2,518,019

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2008.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Revenue Recognition (continued)

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

In-Globe funding is funding approved by Manitoba Health for Regional Health Association programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response, and Transport. All additional costs in these five service categories must be absorbed from within global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Association is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the facility's ability to provide services, its carrying amount is written down to its residual value.

Capital Assets
(continued)

Construction in progress is recorded at cost. When the specific projects are completed, all capitalized costs are transferred to capital assets.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5% - 10%
Buildings	2% - 5%
Leasehold improvements	5%
Building service equipment	4% - 10%
Equipment	5% - 20%
Vehicles	8% - 15%
Software and licenses	20%

Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

Financial Instruments

The Association utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash and short-term investments (guaranteed investment certificates). They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from the Province of Manitoba, vacation entitlements receivable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Use of Estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Retirement Entitlement Obligations

The Association applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employees Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

i) have ten years service and have reached the age 55;
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
iii) retire at or after age 65;
iv) terminate employment at any time due to permanent disability.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Association, are as follows:

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Association is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories - The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Association is currently assessing the impact of the new standard.

1. Entity Definition and Basis of Financial Statements

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north-eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

The financial statements include the following sites and services:

Beausejour District Ambulance
Beausejour Health Centre
Bissett Ambulance
East-Gate Lodge
Kin Place Health Complex
Lac du Bonnet Ambulance
Lac du Bonnet PCH and Health Centre
Pinawa Ambulance
Pinawa Hospital
Pine Falls Ambulance
Pine Falls Health Complex
Reynolds Ambulance
Springfield Ambulance
Springfield Handivan
Stony Plains Terrace
Sunnywood Manor PCH
Whitemouth District Ambulance
Whitemouth District Health Centre
Whitemouth Handivan
Winnipeg River Handivan

2. Change in Accounting Policy

On April 1, 2007, the Association retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Association's statement of operations.

3. Accounts Receivable

	2008	2007
Ambulance	$ 216,877	$ 263,944
Canada Revenue Agency - GST Rebate	210,378	277,894
Other	181,538	159,643
Clients	75,325	71,806
Receivable from foundations	5,589	7,961
	$ 689,707	$ 781,248

4. Due (to) from Manitoba Health

	2008	2007
In-Globe funding	$ 1,046,079	$ 474,459
Approved capital funding	123,296	203,632
Out-of-Globe funding	(317,476)	(23,968)
MSSP Payroll and PCH drug program	(689,272)	-
	$ 162,627	$ 654,123

5. Employee Benefits Recoverable / Payable

The Association records a provision for accrued vacation entitlements and retirement obligations. Prior to March 31, 2004 changes in the liability related to vacation and retirement obligations were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs and retirement obligations would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement recoverable and retirement obligation recoverable is collected and re-established up to this maximum amount.

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 2,527,641	$ 2,347,380
Net changes in employee benefits	55,565	180,261
Balance, end of year	$ 2,583,206	$ 2,527,641

An analysis of the changes accrued in the accrued retirement obligations is as follows:

Balance, beginning of year	$ 2,208,395	$ 1,566,385
Net changes in retirement obligations	209,947	642,010
Balance, end of year	$ 2,418,342	$ 2,208,395

6. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 333,034	$ -	$ 333,034	$ -
Land improvements	463,273	336,778	369,814	322,863
Buildings	42,870,682	14,913,894	42,877,322	13,813,423
Leasehold improvements	14,399	8,411	14,399	7,691
Building service equipment	233,794	122,320	233,794	106,062
Equipment	8,824,138	6,922,650	9,478,299	7,682,526
Vehicles	939,049	868,991	917,425	845,651
Software and licenses	51,395	51,395	51,395	51,395
	$ 53,729,764	$ 23,224,439	$ 54,275,482	$ 22,829,611
Cost less accumulated amortization		$ 30,505,325		$ 31,445,871

7. Long-term Debt

	2008	2007
CMHC mortgage payable, bearing interest at a rate of 4.39% per annum, due January 1, 2020 and requiring monthly principal and interest payments of $7,587	$ 840,939	$ 894,044
CMHC mortgage payable, bearing interest at a rate of 4.17% per annum, due June 1, 2020 and requiring monthly principal and interest payments of $3,573	411,505	436,751
Loan payable, bearing interest at a rate of 0% per annum, due August 6, 2012 and requiring monthly principal and interest payments of $583	30,333	-
	1,282,777	1,330,795
Current portion of long-term debt	89,019	78,353
	$ 1,193,758	$ 1,252,442

Principal payments due in the next five years and thereafter are as follows:

2009	$ 89,019
2010	92,476
2011	96,209
2012	100,015
2013	99,585
Thereafter	805,473
	$ 1,282,777

8. Deferred Contributions

a) Expenses of Future Periods

Deferred contributions related to expenses of future periods represent the unspent externally restricted grants and donations for research and other purposes.

	2008	2007
Balance, beginning of year	$ 1,333,252	$ 1,191,439
Amounts received related to future periods	1,156,020	934,587
Amounts amortized to revenue	(992,876)	(748,343)
Funding amounts transferred to capital assets	(68,385)	(44,431)
Balance, end of year	$ 1,428,011	$ 1,333,252

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2008	2007
Balance, beginning of the year	$ 29,330,414	$ 28,555,322
Increase from Pinawa Construction	157,271	1,716,296
Additional contributions received/receivable	819,318	587,878
Amounts transferred from expenses of future periods	68,385	44,431
Amounts amortized to revenue in the year	(1,499,647)	(1,573,513)
Transfer of capital assets to Diagnostic Services Manitoba	(450,499)	-
Balance, end of the year	$ 28,425,242	$ 29,330,414
Comprised of:		
Unspent	$ 436,133	$ 420,370
Spent	27,989,109	28,910,044
Balance, end of the year	$ 28,425,242	$ 29,330,414

9. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	**$ 30,505,325**	$ 31,445,871
Amounts financed by		
Deferred contributions	**(27,989,109)**	(28,910,044)
Mortgages payable	**(1,282,777)**	(1,330,795)
Due to/(from) operating account	**(49,521)**	-
	$ 1,183,918	$ 1,205,032

Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 1,499,647**	$ 1,573,513
Amortization of capital assets	**(1,571,841)**	(1,651,886)
	$ (72,194)	$ (78,373)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 1,139,438**	$ 2,278,498
Amounts funded by		
Deferred contributions	**(777,664)**	(637,956)
Due to operating account	**(79,844)**	-
Deferred contributions - Pinawa construction	**(157,271)**	(1,596,111)
Transfers		
Deferred contributions - expenses of future periods (net)	**(68,385)**	(44,431)
- unrestricted net assets	**53,106**	50,930
Sale of building	**(58,300)**	-
	$ 51,080	$ 50,930
Total change in net assets invested in capital assets	**$ (21,114)**	$ (27,443)

10. Net Assets - External Restrictions

The net assets shall only be expended on items and/or projects that are authorized jointly by the Board of Directors of North Eastman Health Association Inc. and the contributing organizations.

11. Manitoba Health Income

		2008	2007
Revenue as per Manitoba Health's final funding document		**$ 42,316,416**	$ 41,711,296
Add:	Public Health Programs	**543,671**	511,621
	Nurse recruitment and retention	**40,284**	20,819
	Other	**6,151**	5,972
	MSSP payroll	**1,514,462**	-
	PCH Drug program	**210,463**	-
Deduct:	Amounts related to prior year	**(430,312)**	(397,193)
	One time Pre-retirement funding	**-**	(531,767)
Total Funding Approved by Manitoba Health		**44,201,135**	41,320,748
Add:	Salary funding receivable - MGEU & MNU	**641,169**	302,143
	Immunization programs	**44,809**	55,154
	Wait list funding	**410**	-
	Out-of-globe - capital	**114,966**	203,632
	Other	**11,759**	12,310
	Long-term care strategy	**-**	26,614
	Interfacility transfer	**122,493**	57,553
Deduct:	Amounts recorded as deferred contributions	**(753,690)**	(1,474,946)
	Medical remuneration	**(317,476)**	-
	Out-of-globe - Interest	**(1,034)**	-
Revenue from Manitoba Health before other items		**44,064,541**	40,503,208
One time Pre-retirement settlement		**-**	531,767
		$ 44,064,541	$ 41,034,975

12. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Association has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

c) The Association has entered into various operating leases for its operations. The minimum annual payments for the next five years are as follows:

2009	$ 180,930
2010	180,930
2011	180,930
2012	180,930
2013	180,930

13. Pension Plan

Substantially all of the employees of the Association are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook Section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

13. Pension Plan (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% (6.6% in 2007) of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% (8.2% in 2007) of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006, indicates the plan is fully funded.

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

Actual contributions to the Healthcare Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $1,501,034 ($1,342,824 in 2007) and are included in the statement of operations.

Many of the employees of the Association are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Association employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Association and its employees.

14. Accrued Retirement Obligations

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3% in 2007) plus an age related merit/promotion scale with no provision for disability.

15. Diagnostic Services of Manitoba

During the year the progress towards the transfer of diagnositic services to Diagnostic Services of Manitoba began. The Association transferred the net book value of $450,499 of assets to Diagnostic Services of Manitoba on October 31, 2007. In the future, employees of the Association will be transfered to Diagnostic Services of Manitoba.

16. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

To the Board of Directors of Parkland Regional Health Authority Inc.:

Management is responsible for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Parkland Regional Health Authority Inc. to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

_____ Management

_____ Management

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2008 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Brandon, Manitoba

June 19, 2008

Chartered Accountants

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Assets				
Current				
Cash	1,334,276	5,183,113	**6,517,389**	4,957,727
Current investments *(Note 5)*	-	18,920,521	**18,920,521**	258,139
Accounts receivable *(Note 3)*	136,793	2,236,996	**2,373,789**	1,798,336
Due from Manitoba Health *(Note 4)*	-	2,506,538	**2,506,538**	3,540,299
Inventory	209,449	1,267,197	**1,476,646**	1,475,348
Prepaid expenses	58,259	617,986	**676,245**	708,168
Inter-facility	(402,833)	402,833	-	-
	1,335,944	31,135,184	**32,471,128**	12,738,017
Long-term investments *(Note 5)*	-	-	-	17,357,424
Capital assets *(Note 6)*	8,425,878	73,473,074	**81,898,952**	80,117,700
Trust assets	2,869	30,666	**33,535**	77,366
Manitoba Health receivable – employee benefits obligation *(Note 7)*	1,900,382	8,267,391	**10,167,773**	10,182,843
	11,665,073	112,906,315	**124,571,388**	120,473,350

Continued on next page

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Continued from previous page				
Liabilities				
Current				
Lines of credit	12,615	-	**12,615**	202,071
Accounts payable and accruals	1,722,504	7,778,784	**9,501,288**	7,431,003
Employee benefits payable	1,343,668	7,656,656	**9,000,324**	8,971,095
Current portion of long-term debt *(Note 8)*	-	80,450	**80,450**	118,970
	3,078,787	15,515,890	**18,594,677**	16,723,139
Long-term debt *(Note 8)*	-	-	-	849,568
Deferred benefits entitlement *(Note 7)*	750,526	3,115,489	**3,866,015**	3,760,203
Deferred contributions *(Note 11)*	7,954,708	96,552,111	**104,506,819**	99,784,016
Trust liabilities	2,869	30,666	**33,535**	77,366
	8,708,103	99,698,266	**108,406,369**	104,471,153
Net Assets				
Invested in capital assets *(Note 12)*	845,567	1,720,939	**2,566,506**	2,568,472
Internally restricted net assets	267,064	-	**267,064**	131,707
Unrestricted net assets	(1,234,448)	(4,028,780)	**(5,263,228)**	(3,421,121)
	(121,817)	(2,307,841)	**(2,429,658)**	(720,942)
	11,665,073	112,906,315	**124,571,388**	120,473,350

Approved on behalf of the Board

Director **Director**

Parkland Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2008

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2008 Total***	*2007 Total*
Balance, beginning of year	2,568,472	131,707	(3,421,121)	**(720,942)**	1,724,766
Reclassification *(Note 15)*	142,036	217,176	(613,594)	**(254,382)**	(729,899)
Restated	2,710,508	348,883	(4,034,715)	**(975,324)**	994,867
Excess (deficiency) of revenues over expenses	(370,874)	(31,953)	(543,375)	**(946,202)**	(1,713,386)
Investment in capital assets	531,570	(38,628)	(492,942)	-	628
Internal transfers	114,041	(11,238)	(102,803)	-	(3,051)
Net assets transferred/amalgamated	(418,739)	-	(89,393)	**(508,132)**	
Balance, end of year	2,566,506	267,064	(5,263,228)	**(2,429,658)**	(720,942)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Operations

For the year ended March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Revenues				
Manitoba Health operating income *(Note 9)*	14,651,310	86,827,216	**101,478,526**	94,868,787
Patient income	2,476,339	5,137,228	**7,613,567**	7,115,722
Other income	409,827	3,127,171	**3,536,998**	4,960,372
Amortization of deferred contributions	510,211	3,455,657	**3,965,868**	4,146,929
	18,047,687	98,547,272	**116,594,959**	111,091,810
Expenses				
Acute care	6,494,082	39,232,465	**45,726,547**	44,187,989
Long-term care	10,421,945	23,553,462	**33,975,407**	32,148,225
Community and mental health	-	9,427,228	**9,427,228**	11,377,072
Homecare	123,230	11,696,016	**11,819,246**	9,504,042
Emergency response and transport	-	4,002,932	**4,002,932**	3,763,454
Parkland Regional Hospital Laundry Ltd.	-	1,053,966	**1,053,966**	969,418
Regional health costs *(Note 10)*	-	1,848,164	**1,848,164**	1,469,988
Medical remuneration – non global	389,570	4,010,066	**4,399,636**	3,710,918
Pre-retirement	181,270	758,269	**939,539**	969,381
Amortization of capital assets	576,514	3,762,248	**4,338,762**	4,678,771
Interest on long-term obligations	-	9,734	**9,734**	25,938
	18,186,611	99,354,550	**117,541,161**	112,805,196
Excess (deficiency) of revenues over expenses	(138,924)	(807,278)	**(946,202)**	(1,713,386)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2008

	Affiliates	*Devolved*	***2008***	*2007*
Cash provided by (used in)				
Operations				
Deficiency of revenues over expenses	(138,924)	(807,278)	**(946,202)**	(1,713,386)
Items not involving cash:				
Amortization of capital assets	576,514	3,762,248	**4,338,762**	4,678,771
Amortization of deferred contributions	(510,211)	(3,455,657)	**(3,965,868)**	(4,146,929)
	(72,621)	(500,687)	**(573,308)**	(1,181,544)
Changes in non-cash operating working capital				
Temporary investments	73,826	(18,823,587)	**(18,749,761)**	2,062,554
Due from Manitoba Health	-	1,033,761	**1,033,761**	(2,144,067)
Other working capital	1,037,354	599,629	**1,636,983**	1,207,660
	1,111,180	(17,190,197)	**(16,079,017)**	1,126,147
Financing and Investing				
Purchase of capital assets	(221,742)	(8,313,095)	**(8,534,837)**	(4,708,989)
Disposal of capital assets	-	1,237,272	**1,237,272**	8,439
Purchase of long-term investments	2,510	17,354,914	**17,357,424**	(1,410,798)
Decrease in line of credit	(189,456)	-	**(189,456)**	(169,693)
Deferred contributions	133,680	8,291,234	**8,424,914**	4,184,156
Interfacility	(117,998)	117,998	-	-
Proceeds of long-term debt	-	-	-	804,758
Repayment of long-term debt	-	(83,330)	**(83,330)**	(87,273)
Use of reserve	-	-	-	(7,553)
Net asset transfers	-	-	-	(2,321)
	(393,006)	18,604,993	**18,211,987**	(1,389,274)
Increase (decrease) in cash resources during the year	645,553	914,109	**1,559,662**	(1,444,671)
Cash resources, beginning of year	688,723	4,269,004	**4,957,727**	6,402,398
Cash resources, end of year	1,334,276	5,183,113	**6,517,389**	4,957,727

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, and include the following significant accounting policies:

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

The financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, revenues and expenses of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Health Centre
Gilbert Plains Health Centre
Grandview Hospital District
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.
Ste. Rose Ambulance Service
Swan Valley Ambulance Service
Swan Valley Lodge
Swan Valley Health Centre
Swan River Valley Personal Care Home
Benito Health Centre
Waterhen Ambulance Service

2. Significant accounting policies *(continued)*

Affiliates:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.

The Canadian Mental Health Association, Swan Valley Branch, Inc. is a member of the Canadian Mental Health Association of Canada and operates under the jurisdiction of the Manitoba Division of the Canadian Mental Health Association. In 2006/07, the financial statements included this organization as an affiliate. This organization has not been included in the consolidated statements of the Parkland Regional Health Authority as only 51% of its total revenue for the year ended March 31, 2008 originated from the Parkland Regional Health Authority. During the 2006/07 fiscal year the Canadian Mental Health Association, Swan Valley Branch, Inc. opened the Dauphin E.C.H.O. apartments. Revenue from these rental units has reduced the economic dependence of this organization on the Parkland Regional Health Authority below the 70% benchmark.

The Parkland Regional Health Authority Inc. also receives funding from independent organizations, which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities are solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations, no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives.

Buildings	20 to 40 years
Equipment	4 to 20 years

2. Significant accounting policies *(continued)*

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Quoted market prices and prices for similar items are used to measure fair value of long-lived assets.

Benefits obligation

The Health Authority applies the accounting recommendations for employee future benefits contained in *Section 3461 of the Canadian Institute of Chartered Accountant's Handbook*. The pre-retirement benefits are determined by actuarial valuation.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

A number of individuals donate significant amounts of time to the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are made for amortization, based on the useful lives of capital assets, amounts due from Manitoba Health, revenue from Manitoba Health and In-Globe and Out-of-Globe funding that is not yet approved. Retirement obligations are based on actuarial valuations.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

2. **Significant accounting policies *(continued)***

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants' ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. On April 1, 2007, the Organization implemented these new standards, the main requirements of which are set out below:

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash. These instruments are initially recognized at their fair value, determined by published bid price in an active market. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Fees incurred on an exchange of financial liabilities or a modification of the terms of financial liabilities that is accounted for as an extinguishment are included as part of the gain or loss on extinguishment, while any related other costs incurred are recognized in current year operations. All fees and costs incurred on the exchange or modification of a financial liability not accounted for as an extinguishment, are recognized in current year operations.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and Manitoba Health Receivable - employee benefits obligation, Due from Manitoba Health. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Held to maturity:
The Credit Union has classified the following financial assets as held to maturity: current investments and accrued interest. These assets are initially recognized at their fair value, determined by recent arm's length market transactions for the same instrument. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in operations, while transaction costs arising from their disposal are immediately recognized in operations. Total interest income, calculated using the effective interest rate method, is recognized in net operations.

Held to maturity financial assets are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

2. **Significant accounting policies *(continued)***

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accruals employee benefits payable and Due to Manitoba Health. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations. Total interest expense, calculated using the effective interest rate method, is recognized in net revenue.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net revenue upon derecognition or impairment.

Financial asset impairment:
The Organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

3. **Accounts receivable**	*2008*	*2007*
Accrued interest	**7,908**	28,763
Ambulance	**229,692**	278,363
Ambulance - Health Canada First Nations Inuit Health	**262,655**	139,860
Apotex Inc. Signet	**75,962**	-
CancerCare Manitoba	-	103,136
Dauphin General Hospital Foundation	**75,394**	70,253
Diagnostic Services Manitoba	**193,895**	102,157
Employee Education Advances	**95,232**	102,823
Health Sciences Centre Provincial Dialysis Program	**61,976**	-
Manitoba Housing and Renewal Corporation	-	10,000
Other	**958,563**	574,731
QA Adjusting Company	**154,286**	-
Residents Patients	**253,784**	162,343
Swan Valley Health Facilities Foundation Inc.	**4,443**	87,064
Swan Valley Gas Corporation Credit	-	138,843
	2,373,789	1,798,336

4. **Due from Manitoba Health**	*2008*	*2007*
Current years Operating Funding	**2,187,355**	648,227
Out of Globe – 2007/2008	**(615,719)**	-
Out of Globe – 2006/2007	-	(283,682)
Out of Globe – 2005/2006	-	(331,663)
Approved Capital Funding	**588,586**	3,154,720
Ambulance Interfacility Transfers and Lifeflights	**346,316**	352,697
	2,506,538	3,540,299

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.
Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

5. Investments

	2008	*2007*
Manitoba Health sinking fund – trust account, various short-term and long-term investments earning interest of 2.75% to 6.00% maturing between June 2, 2008 and July 31, 2008. Sinking fund payment of $20,550,000 due August 2, 2008.	**18,820,271**	17,334,631
Royal Bank money market funds earning an annual rate of 3.42%.	**100,250**	96,934
Various Investments	**-**	183,998
	18,920,521	17,615,563
Amount due within one year included in current investments	**(18,920,521)**	(258,139)
	-	17,357,424

6. Capital assets

	Cost	*Accumulated Amortization*	*2007 Net Book Value*	*2006 Net Book Value*
Land	676,319	-	676,319	626,319
Buildings	104,921,978	34,447,439	70,474,539	71,285,540
Equipment	32,470,007	25,216,816	7,253,191	8,052,740
Construction in progress	1,713,651	-	1,713,651	580,441
	139,781,955	59,664,255	80,117,700	80,545,040

	Cost	*Accumulated Amortization*	*2008 Net Book Value*	*2007 Net Book Value*
Land	**606,685**	**-**	**606,685**	676,319
Buildings	**104,024,724**	**36,995,508**	**67,029,206**	70,474,539
Equipment	**30,283,897**	**24,117,725**	**6,166,172**	7,253,191
Construction in progress	**8,096,888**	**-**	**8,096,888**	1,713,651
	143,012,185	**61,113,233**	**81,898,952**	80,117,700

7. Benefits obligation

The Health Authority recorded pre-retirement, accrued vacation, statutory holiday and overtime salary liability as benefits obligation. Funding for the entitlement as at March 31, 2004 is recoverable from Manitoba Health.

Accrued retirement entitlement

The Health Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
iii) retires at or after age 65 or
iv) terminates employment at any time due to permanent disability

The Health Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement accrued prior to March 31, 2004 is recoverable from Manitoba Health on an Out-of-Globe basis in the year of payment. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when the Authority requires the funding to discharge the related pre-retirement liabilities.

Each year, the Health Authority updates an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.50% (4.85% in 2007) and a rate of salary increase of 3.5% (3% in 2007) plus age related merit promotion scale with nil disability.

Pension plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook section 3461*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, together with the 6.8% (6.4% in 2007) of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8.4% (8.0% in 2007) thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006, indicates that the Plan is fully funded.

7. **Benefits obligation *(continued)***

The December 2002 Health Employees Pension Plan (HEPP) actuarial valuation revealed that current contribution levels are insufficient to fund basic plan benefits, and do not make provisions for unexpected unfunded liabilities. The HEPP Board had two options:

i) to request a rate increase from the signatory boards and unions or
ii) to reduce benefits.

In January 2005, the Board proposed the contribution rate increases over three years, which was approved by the signatory unions and employers in mid April 2005. The Plan's actuary review indicates that the approved contribution rate increases should be sufficient for the pension Plan to remain fully-funded at this time.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,984,605 (2007 - $3,652,753) and are included in the statement of operations.

8. **Long-term debt**

	2008	*2007*
Debenture Payable		
Held on behalf of Gilbert Plains Health Centre Inc. by Province of Manitoba repayable in annual instalments of $80,450 including interest at 11.125%, secured by the value of $1,263,361, due June 1, 2008.	**80,450**	160,900
Loan Payable		
GMAC bearing interest at 1.900% payable in monthly installments of $578 including interest, secured by a 2002 Chevrolet Venture, due August 2007	-	2,880
Dauphin Plains Credit Union loan payable, secured by promissory note, 1st mortgage on land and buildings, General Security Agreement covering all business assets, and assignment of rents, repayable in monthly installments at 5.84%, 48 month term matures July 31, 2010.	-	304,758
Manitoba Housing and Renewal Corporation loan payable repayable in monthly instalments of $2,778 including interest at 0%, secured by 2nd mortgage on land and building, matures March 31, 2022.	-	500,000
	80,450	968,538
Amount due within one year included in current liabilities	**(80,450)**	(118,970)
	-	849,568

Principal repayments required in each of the next five years are estimated as follows:

2009 80,450

9. **Manitoba Health operating income**		*2008*	*2007*
Revenue as per Manitoba Health's final funding document		**101,679,338**	95,610,874
Add:	Wage Settlements	**1,708,562**	545,928
	Medical Remuneration Adjustments	**84,681**	118,551
	Renal Unit Expansion	**46,669**	-
	SSGL Expansion	**15,000**	-
	Provincial Data Network Funding	**3,428**	39,678
		103,537,678	96,315,031
Deduct:	Non-Global surplus repayable for 2007 08	**(479,427)**	(340,803)
Total funding approved by Manitoba Health		**103,058,251**	95,974,228
Add:	Emergency Services Billings	**1,439,378**	495,429
	Immunization Program	**104,635**	104,635
	Influenza Program	**77,585**	101,859
	Community Health Needs Assessment	**4,033**	1,242
	Information Technology Training	**6,752**	-
	Non Global Adjustments	**391,771**	1,104,927
	Chronic Disease Prevention Initiative	**73,506**	91,459
	Risk Factor and Complication Assessment Funding	**12,144**	15,612
	Med2020 Maintenance	**59,335**	57,865
	Telepsychiatry Clinics	**16,842**	25,736
	Board expenses	**2,921**	6,173
	Workplace Health and Safety - Lift and Transfer expenses	**3,214**	41,708
	Provincial Client Registry	**2,641**	-
	Primary Healthcare Transition Fund	-	208,614
	Self Help Centre	-	43,700
	Diagnostics Backfill Costs	-	9,000
	W.H.L.C.	-	120,000
		105,253,008	98,402,187
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(824,065)**	(675,912)
	- Equipment funding	**(459,870)**	(459,864)
	- Major repairs	**(37,495)**	(37,488)
	- Capital interest on loans reclassified to deferred contributions	**(2,453,052)**	(2,360,136)
Revenue from Manitoba Health		**101,478,526**	94,868,787

10. Regional Health Authority costs

	2008	*2007*
Corporate office salaries	**865,699**	876,298
Corporate office benefits	**146,361**	126,568
Expenses paid on behalf of facilities	**228,304**	27,778
Board expenses	**77,938**	108,573
Recruitment	**28,000**	46,800
Medical Remuneration - Global	**223,223**	-
Other	**278,639**	283,971
	1,848,164	1,469,988

11. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations that were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

Changes in the deferred contributions balance are as follows:

	Donation	**Unexpended**	**Expended**	*2008*	*2007*
Balance, beginning of year	**260,933**	**3,383,705**	**91,063,380**	**94,708,018**	95,115,755
Reclassification	**(19,407)**	**(14,224)**	**282,213**	**248,581**	(8,085)
Capital asset additions	**(63,235)**	**(654,295)**	**8,019,022**	**7,301,492**	3,162,099
Capital asset disposals	**-**	**-**	**(1,221,413)**	**(1,221,413)**	-
Capital funding	**387**	**559,415**	**631,205**	**1,191,007**	477,644
Interest and donations	**150,764**	**29,098**	**(30,870)**	**148,992**	118,496
Amortization	**(116)**	**-**	**(3,965,752)**	**(3,965,868)**	(4,146,929)
Other operating expenses	**(38,811)**	**-**	**-**	**(38,811)**	(10,962)
Balance, end of year	**290,514**	**3,303,698**	**94,777,785**	**98,371,997**	94,708,018
Deferred revenue				**6,134,822**	5,075,998
				104,506,819	99,784,016

11. Deferred contributions

The lines of credit and long-term debt that have been incorporated in deferred contributions include the following:

	2008	2007
Lines of credit	**8,443,616**	-
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.16% to 9.63%, due from 2019 to 2029, with monthly payments of principal and interest from $2,235 to $8,356, secured by buildings	**3,063,992**	3,165,196
	11,507,608	3,165,196

Lines of Credit

The Authority has authorized capital lines of credit of $9,405,990 and has authorized $3,400,000 of an operating line of credit. These lines of credit bear interest at the bank's prime rate minus 0.8%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

12. Invested in capital assets

	Affiliates	Devolved	*2008*	*2007*
Capital Assets	8,425,878	73,473,074	**81,898,952**	80,117,700
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(7,823,014)	(95,999,600)	**(103,822,614)**	(97,901,678)
Long-term debt	-	(80,450)	**(80,450)**	(968,538)
Cash – capital	120,061	1,284,532	**1,404,593**	816,399
Temporary investments – capital	79,844	-	**79,844**	12,597
Accounts receivable – capital	-	368,869	**368,869**	78,683
Due from Manitoba Health – capital	-	588,586	**588,586**	3,154,720
Prepaid expenses – capital	-	14,398	**14,398**	400
Long-term investments – capital	-	18,820,271	**18,820,271**	17,334,631
Accounts payable – capital	(2,383)	(539,415)	**(541,798)**	(45,171)
Due from operating account	45,181	3,790,674	**3,835,855**	(31,471)
	845,567	1,720,939	**2,566,506**	2,568,472

13. Commitments and contingencies

The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any losses experienced by the group of subscribers for the years in which they were a subscriber. As of December 31, 2006, the Authority has a subscriber's surplus of $109,660. No such assessments have been made to December 31, 2007.

Environmental Liabilities

Management has indicated that asbestos had been found in contained areas within the one of the Affiliate's buildings. An Asbestos Abatement Consultant inspected the building in 2005 to determine the extent of the asbestos exposure and made recommendations on how to resolve the issue. Preliminary funding of $750,000 has been approved to finance the abatement program. As of March 31, 2008, the architect has completed the contract document phase and the bidding phase. Based on the sole tender submitted during the bidding phase, the cost of the asbestos abatement was estimated at $1.1 million. The Parkland Regional Health Authority is currently requesting $350,000 in additional funding for the project.

14. Economic dependence

The Parkland Regional Health Authority Inc. received 87% of its total revenue for the year ended March 31, 2008 from Manitoba Health.

15. Comparative amounts

Certain comparative figures have been reclassified to conform with the current year presentation. These adjustments included a reclassification in the current year from deferred contributions to net assets invested in capital assets, internally restricted net assets, and capital assets purchased from unrestricted net assets in previous years for a net amount of $254,382.

16. Amalgamation

During the year, Parkland Regional Health Authority Inc. combined Waterhen Ambulance Service with their current operations effective September 30, 2007. Assets were transferred at net book value.

17. Related party transactions

The Health Authority is responsible for the overall management of the health care services provided in the Parkland region. Programs are delivered in the region by the Authority through its direct service operations, by Hospitals through operating agreements, by proprietary and non-proprietary personal care. The Health Authority transacts business on a regular basis with organizations and agencies described in Notes 2, 4, 5, 7, 9 and 14.

As part of a transfer agreement between Diagnostic Services of Manitoba and the Authority, assets with a net book value of $1,252,090 were transferred to Diagnostic Services of Manitoba for no cash proceeds.

18. Change in accounting policy

Effective April 1, 2007, the Health Authority adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, as described in Note 2.

CICA 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to cash flow hedges or available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss). Comprehensive income (loss) is defined as the change in equity of the Organization arising from transactions and other events and circumstances, except those resulting from owner investment and distribution. Accumulated comprehensive income (loss) is separately disclosed as a component of equity.

Although the requirements of CICA 1530 *Comprehensive Income* are not applicable for not-for-profit organizations, amendments to CICA 4400 *Not-For-Profit Organizations* require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets.

The Health Authority had no items requiring reclassification to net assets.

19. New Accounting pronouncements

Capital disclosures and financial instruments – disclosure and presentation

On April 1, 2008, the Health Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Health Authority will apply the new disclosures in its 2009 financial statements

MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2008 and the consolidated statements of operations, consolidated changes in net assets and the consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in Schedules 1-3 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
June 19, 2008

Chartered Accountants

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Financial Position

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and short term investments	$ 11,412,063	$ 8,168,863
Accounts receivable, net	4,260,019	2,018,612
Accounts receivable - Manitoba Health (Note 4)	1,026,402	2,428,803
Inventories	1,152,782	1,145,420
Prepaid expenses	1,460,511	876,549
Due from Manitoba Health - vacation entitlements	7,775,928	7,775,928
	27,087,705	22,414,175
NON-CURRENT		
Due from Manitoba Health - retirement entitlements	9,106,000	9,106,000
Capital assets (Note 5)	79,229,923	80,849,163
Other assets	163,265	157,787
	$ 115,586,893	$ 112,527,125
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 12,977,539	$ 10,440,217
Accrued vacation entitlements	9,510,989	9,108,207
Current portion of long term debt (Note 6)	212,711	199,247
	22,701,239	19,747,671
NON-CURRENT		
Accrued retirement entitlements	10,382,720	10,024,183
Long term debt (Note 6)	2,566,375	2,779,095
	12,949,095	12,803,278
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	3,091,315	2,710,162
Capital assets	75,069,879	76,526,493
	78,161,194	79,236,655
NET ASSETS		
Invested in capital assets (Note 8)	1,381,146	1,344,516
Contract facilities (Note 9)	1,227,808	1,219,624
Internally restricted (Note 10)	276,773	276,773
Unrestricted	(1,110,362)	(2,101,392)
	1,775,365	739,521
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$ 115,586,893	$ 112,527,125

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Operations

Year Ended March 31, 2008

	2008	2007
REVENUE		
Manitoba Health (Note 12)	$ 153,106,851	$ 143,615,736
Other government departments	59,501	297,197
Non-global patient and resident income	12,199,145	11,775,155
Other income	5,563,830	5,062,437
Amortization of deferred contributions - expenses of future periods	2,276,510	2,505,054
Amortization of deferred contributions - capital and foundations	4,550,034	4,358,692
Interest and donations	337,886	386,184
Ancillary operations (Schedule 1)	2,250,650	2,152,908
	180,344,407	170,153,363
EXPENSES		
Acute care services	60,497,932	57,983,832
Long term care services	46,728,236	44,941,633
Medical remuneration	13,272,524	11,778,867
Community based therapy services	2,386,535	2,109,889
Community based mental health services	8,100,547	6,835,506
Community based home care services	17,236,087	16,628,574
Community based health services	5,436,945	5,220,212
Land ambulance	5,846,964	5,478,220
Regional health authority undistributed	10,801,239	9,795,784
Interest on long term debt	361,771	439,736
Pre-retirement leave	1,699,833	1,169,500
Amortization of capital assets	4,661,137	4,545,995
Major repairs	364,100	610,808
Donations to foundations	33,150	21,000
Ancillary operations (Schedule 1)	1,883,824	1,317,993
	179,310,824	169,377,549
EXCESS OF REVENUE OVER EXPENSES	$ 1,033,583	$ 775,814
ALLOCATION OF EXCESS OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ (508,353)	$ (819,111)
Interest and donations	337,886	386,184
Ancillary operations	366,826	334,915
Health care operations	837,224	873,826
TOTAL	$ 1,033,583	$ 775,814

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2008

	Invested in Capital Assets	Contract Facilities (Note 9)	Internally Restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year before restatement	$ 1,344,516	$ 1,219,624	$ 276,773	$ (2,101,392)	$ 739,521	$ 381,205
Prior period adjustment	-	-	-	-	-	(417,498)
Balance as restated	1,344,516	1,219,624	276,773	(2,101,392)	739,521	(36,293)
Excess (Deficiency) of revenue over expenses	(205,647)	48,945	-	1,190,285	1,033,583	775,814
Change in accounting policy (Note 3)		2,261			2,261	
Repayment of non-Manitoba Health funded long term debt	199,255	-	-	(199,255)	-	-
Investment in capital assets	43,022	(43,022)	-	-	-	-
Balance, end of year	$ 1,381,146	$ 1,227,808	$ 276,773	$ (1,110,362)	$ 1,775,365	$ 739,521

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Cash Flows

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 1,033,583	$ 775,814
Items not affecting cash		
Amortization of capital assets	4,801,600	4,688,015
Amortization of deferred contributions related to expenses of future periods	(2,341,745)	(2,565,408)
Amortization of deferred contributions related to capital assets	(4,595,953)	(4,404,613)
Changes in non-cash operating working capital items	1,106,990	(21,312)
	4,475	(1,527,504)
FINANCING ACTIVITIES		
Increase (decrease) in accrued vacation and retirement entitlements	761,319	403,302
Principal payments on long term debt	(199,254)	(188,245)
Increase in deferred contributions related to expenses of future periods	3,429,023	2,756,030
Increase in deferred contributions related to capital assets	5,402,164	3,123,940
	9,393,252	6,095,027
INVESTING ACTIVITIES		
Change in accounting policy (Note 3)	2,261	-
Purchase of capital assets	(6,151,310)	(3,030,308)
Prior period adjustment - net assets	-	(417,492)
Change in other assets	(5,478)	(3,087)
	(6,154,527)	(3,450,887)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	3,243,200	1,116,636
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	8,168,863	7,052,227
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 11,412,063	$ 8,168,863

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles for **not-for-profit organizations**. The following is a summary of significant accounting policies for the Authority:

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc.

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2008.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

f) Vacation pay

The Authority records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

g) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

i) Long-lived Assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments - Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Authority has classified the following financial assets and liabilities as held for trading: cash and short term investments and other assets. These instruments are initially recognized at their fair value.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value including interest income are recognized immediately in the statement of operations.

Loans and receivables:

The Authority has classified the following financial assets as loans and receivables: accounts receivable, accounts receivable due from Manitoba Health, due from Manitoba Health - vacation entitlements and due from Manitoba Health - retirement entitlements. These assets are initially recognized at their fair value which is the same as their cost due to the current nature of the asset.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted ove the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

Other financial liabilities:

The Authority has classified the following financial liabilities as other financial liabilities: accounts payable, accrued liabilities, wages payable, accrued vacation benefit entitlements and accrued retirement benefit entitlements. These liabilities are initially recognized at their fair value which approximates their cost due to the current nature of these liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks from these instruments except as otherwise noted.

3. CHANGE IN ACCOUNTING POLICY

Financial instruments

In April 2005, the Accounting Standards Board issued new Handbook sections on financial instruments that affect the Organization, Section 3855 and Section 3861. Section 3855 - Financial Instruments - Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments - Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

The Authority has adopted both of the sections for the fiscal year ended March 31, 2008. As at April 1, 2007 the Authority recorded a non-cash credit of $2,261 to net assets for the change in accounting for financial assets which are classified as held-for-trading and are measured at fair value instead of cost. There was no impact on the current year results due to the change in accounting policy.

4. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2008	2007
Current year's operating funding		
Medical year end adjustments	$ (1,305,731)	$ (563,641)
Orthopaedic wait list funding	680,399	2,443,004
CUPE standardization	-	289,047
Other program	459,772	-
Immunization programs	-	170,231
Wage standardization	1,996,847	-
EMS overpayments	-	(13,622)
	1,831,287	2,325,019
Medical year end adjustments - 2004/2005	-	(236,283)
Medical year end adjustments - 2006/2007	(816,915)	-
Medical year end adjustments - 2005/2006	-	(424,983)
Approved capital projects	12,030	765,050
	$ 1,026,402	$ 2,428,803

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided by Manitoba Health.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

5. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 983,537	$ -	$ 983,537	$ 983,537
Buildings	97,530,500	33,175,438	64,355,062	65,259,846
Equipment	51,790,534	37,899,210	13,891,324	14,605,780
	$ 150,304,571	$ 71,074,648	$ 79,229,923	$ 80,849,163

6. LONG TERM DEBT

	2008	2007
CMHC mortgage payable in monthly blended installments of $17,071 bearing interest at 6.45% due June 1, 2020. Secured by land and buildings with a net book value of $1,717,985.	$ 1,704,132	$ 1,808,682
CMHC mortgage payable in monthly blended installments of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and buildings with a net book value of $20,628.	42,272	45,552
CMHC mortgage payable in monthly blended installments of $5,683 bearing interest at 5.42% due November 1, 2017. Secured by land and buildings with a net book value of $320,862.	513,580	553,023
CMHC mortgage payable in monthly blended installments of $7,768 bearing interest at 10% due June 1, 2014. Secured by land and buildings with a net book value of $484,816.	434,376	482,443
CMHC mortgage payable in monthly blended installments of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and buildings with a net book value of $28,780.	84,726	88,642
	2,779,086	2,978,342
Less: current portion	212,711	199,247
	$ 2,566,375	$ 2,779,095

Estimated principal repayment requirements for the next five years are as follows:

2008	212,711
2009	224,364
2010	238,246
2011	252,759
2012	265,526
Thereafter	1,585,480

7. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2008	2007
Balance, beginning of year	$ 2,710,162	$ 2,560,833
Additional contributions received	3,429,023	2,756,030
Amount transferred to capital assets	(706,125)	(41,293)
Less amounts amortized to revenue	(2,341,745)	(2,565,408)
	$ 3,091,315	$ 2,710,162

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 76,526,493	$ 77,765,873
Additional contributions received	5,402,164	3,123,940
Amount transferred from expenses of future periods	706,125	41,293
Assets transferred to Diagnostic Services of Manitoba (Note 16)	(2,968,950)	-
Less amounts amortized to revenue	(4,595,953)	(4,404,613)
	$ 75,069,879	$ 76,526,493

8. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 79,229,923	$ 80,849,163
Amounts financed by:		
Deferred contributions	(75,069,879)	(76,526,493)
Long term debt	(2,779,086)	(2,978,342)
Working capital	188	188
	$ 1,381,146	$ 1,344,516

b) Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 4,595,953	$ 4,404,613
Amortization of capital assets	(4,801,600)	(4,688,015)
	(205,647)	(283,402)
Repayment of non-Manitoba Health funded long term debt	199,254	188,245
Investment in capital assets		
Purchase of capital assets	6,151,310	3,030,308
Amounts funded by deferred contributions	(6,108,287)	(2,974,915)
Amounts funded with working capital	-	(281,382)
	43,023	(225,989)
	$ 36,630	$ (321,146)

9. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2008	2007
Internally restricted	$ 116,687	$ 106,604
Externally restricted	13,559	13,505
Unrestricted	1,097,562	1,099,515
	$ 1,227,808	$ 1,219,624

10. NET ASSETS - INTERNALLY RESTRICTED

The Board of Directors has restricted $276,773 (2007 - $276,773) in net assets to be used for the purchase of specified capital assets.

11. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Authority may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2008.

12. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2008	2007
Revenue as per final approved budget	$ 150,357,360	$ 141,628,343
Province of Manitoba loan principal	(672,030)	(740,794)
Amounts recorded as deferred contributions	(750,124)	(750,124)
	148,935,206	140,137,425
Current year's estimated out of globe amounts	(17,290)	(398,968)
One time funding - contract settlements	1,824,365	1,673,181
One time funding - wait list	2,624,489	2,610,304
One time funding - EMS inter-facility transfer	239,166	75,985
One time funding - medical remuneration	(1,305,731)	(482,191)
One time funding - other	947,631	-
Prior years' funding adjustments	(140,985)	-
	$ 153,106,851	$ 143,615,736

13. RELATED PARTY AND ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from a related party, Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because none of the large number of organizations that make up this group are controlled by the Authority and the organizations are individually immaterial to the Authority as a whole.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

a) Accrued Retirement Entitlement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for all employees, is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) have ten years service and have reached age 55 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee or
iii) retire at of after age 65 or
iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.0% (4.85% - 2007) and a rate of salary increase of 3.0% (3.0% - 2007) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation as at March 31, 2004 in the amount of $9,106,000 has been set up as a non-current receivable from the Province. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Organization, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when the organization requires the funding to discharge the related pre-retirement liabilities.

b) Pension Plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006, indicates an excess of actuarial value of net assets over actuarial present value of accrued pension benefits of $10,904,000. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $4,852,000 (2007 - $4,555,003) and are included in the statement of operations.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

b) Pension Plan (continued)

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

16. ASSETS TRANSFERRED TO DIAGNOSTIC SERVICES OF MANITOBA

During the year the Authority at the request of Manitoba Health transferred diagnostic equipment and the operations of the diagnostic services to Diagnostic Services of Manitoba. Their were no proceeds received for the assets transferred at a net book value of $2,968,950. As these assets were fully funded by Manitoba Health upon purchase, the deferred contributions have been reduced by the net book value transferred of $2,968,950.

17. NEW ACCOUNTING PRONOUNCEMENTS

Capital disclosures and financial instruments - disclosure and presentation

On April 1, 2008, the Health Authority will adopt three new CICA Handbook sections: Section 1535 Capital Disclosures, Section 3862 Financial Instruments - Disclosures, and Section 3863 Financial Instruments - Presentation. Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation. Section 3863 carries forward unchanged with the presentation requirements of Section 3861 while 3862 requires enhanced financial instruments and how the entity manages those risks. The Health Authority will apply the new disclosures in its 2009 financial instruments.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 1

Statement of Operations - Ancillary Operations

Year Ended March 31, 2008

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	2008	2007
REVENUE						
Outside sources	$ 931,253	$ 54,786	$ 972,662	$ 180,795	**$ 2,139,496**	$ 2,046,634
Amortization of deferred contributions	76,892	29,926	-	4,336	**111,154**	106,274
	1,008,145	84,712	972,662	185,131	**2,250,650**	2,152,908
EXPENSES						
Operating	592,177	41,575	733,139	91,083	**1,457,974**	1,378,216
Amortization of capital assets	106,201	29,926	-	4,336	**140,463**	142,018
Interest on long term debt	155,177	-	-	-	**155,177**	166,133
Major repairs	126,835	3,375	-	-	**130,210**	131,626
	980,390	74,876	733,139	95,419	**1,883,824**	1,817,993
EXCESS OF REVENUE OVER EXPENSES	$ 27,755	$ 9,836	$ 239,523	$ 89,712	**$ 366,826**	$ 334,915

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Statement of Financial Position - Segmented
March 31, 2008

Schedule 2

	Devolved	Contract	2008	2007
ASSETS				
CURRENT				
Cash and short term investments	$ 7,806,501	$ 3,605,562	$ **11,412,063**	$ 8,168,863
Accounts receivable, net	4,260,019	-	**4,260,019**	2,018,612
Accounts receivable - Manitoba Health	1,026,402	-	**1,026,402**	2,428,803
Inventories	1,075,024	77,758	**1,152,782**	1,145,420
Prepaid expenses	1,422,435	38,076	**1,460,511**	876,549
Due from Manitoba Health - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	22,265,069	4,822,636	**27,087,705**	22,414,175
NON-CURRENT				
Due from Manitoba Health - retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	70,298,730	8,931,193	**79,229,923**	80,849,163
Other assets	-	163,265	**163,265**	157,787
	$ 100,408,799	$ 15,178,094	$ **115,586,893**	$ 112,527,125
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 10,912,125	$ 2,065,414	$ **12,977,539**	$ 10,440,217
Accrued vacation entitlements	8,291,116	1,219,873	**9,510,989**	9,108,207
Current portion of long term debt	212,711	-	**212,711**	199,247
	19,415,952	3,285,287	**22,701,239**	19,747,671
NON-CURRENT				
Accrued retirement entitlements	9,198,764	1,183,956	**10,382,720**	10,024,183
Long term debt	2,566,375	-	**2,566,375**	2,779,095
	11,765,139	1,183,956	**12,949,095**	12,803,278
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,541,654	549,661	**3,091,315**	2,710,162
Capital assets	66,565,201	8,504,678	**75,069,879**	76,526,493
	69,106,855	9,054,339	**78,161,194**	79,236,655
NET ASSETS				
Invested in capital assets	954,442	426,704	**1,381,146**	1,344,516
Contract facilities	-	1,227,808	**1,227,808**	1,219,624
Internally restricted	276,773	-	**276,773**	276,773
Unrestricted	(1,110,362)	-	**(1,110,362)**	(2,101,392)
	120,853	1,654,512	**1,775,365**	739,521
	$ 100,408,799	$ 15,178,094	$ **115,586,893**	$ 112,527,125

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Statement of Operations - Segmented
Year Ended March 31, 2008

Schedule 3

	Devolved	Contract	2008	2007
REVENUE				
Manitoba Health	$ 133,755,836	$ 19,351,015	**$ 153,106,851**	$ 143,615,736
Other government departments	59,501	-	**59,501**	297,197
Non-global patient and resident income	8,734,591	3,464,554	**12,199,145**	11,775,155
Other income	4,850,604	713,226	**5,563,830**	5,062,437
Amortization of deferred contributions - operating	1,952,028	324,482	**2,276,510**	2,505,054
Amortization of deferred contributions - capital and foundations	4,094,009	456,025	**4,550,034**	4,358,692
Interest and donations	315,399	22,487	**337,886**	386,184
Ancillary operations	2,065,519	185,131	**2,250,650**	2,152,908
	155,827,487	24,516,920	**180,344,407**	170,153,363
EXPENSES				
Acute care services	59,043,264	1,454,668	**60,497,932**	57,983,832
Long term care services	30,941,061	15,787,175	**46,728,236**	44,941,633
Medical remuneration	11,788,754	1,483,770	**13,272,524**	11,778,867
Community based therapy services	2,386,535	-	**2,386,535**	2,109,889
Community based mental health services	3,417,772	4,682,775	**8,100,547**	6,835,506
Community based home care services	17,236,087	-	**17,236,087**	16,628,574
Community based health services	5,307,690	129,255	**5,436,945**	5,220,212
Land ambulance	5,846,964	-	**5,846,964**	5,478,220
Regional health authority undistributed	10,801,239	-	**10,801,239**	9,795,784
Interest on long term debt	361,771	-	**361,771**	439,736
Pre-retirement leave	1,560,326	139,507	**1,699,833**	1,169,500
Amortization of capital assets	4,134,813	526,324	**4,661,137**	4,545,995
Major repairs	157,869	206,231	**364,100**	610,808
Donations to foundations	-	33,150	**33,150**	21,000
Ancillary operations	1,788,405	95,419	**1,883,824**	1,817,993
	154,772,550	24,538,274	**179,310,824**	169,377,549
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 1,054,937	$ (21,354)	**$ 1,033,583**	$ 775,814
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ (198,673)	$ (309,680)	**$ (508,353)**	$ (819,111)
Interest and donations	315,399	22,487	**337,886**	386,184
Ancillary operations	277,114	89,712	**366,826**	334,915
Health care operations	661,097	176,127	**837,224**	873,826
TOTAL	$ 1,054,937	$ (21,354)	**$ 1,033,583**	$ 775,814

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 23, 2008

BDO Dunwoody LLP ***is a Limited Liability Partnership registered in Ontario***
BDO Dunwoody s.r.l. ***est une société à responsabilité limitée constituée en Ontario***

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2008	2007
	Regional Health Authority	Contract Facilities	Consolidated	(Restated - (Note 9) Consolidated
Assets				
Current Assets				
Cash	$ 1,576,057	$ 295,126	$ 1,871,183	$ 1,095,852
Accounts receivable (Note 3)	2,131,862	359,457	2,491,319	1,363,533
Due from Manitoba Health (Note 5)	808,332	24,400	832,732	802,042
Inventories	1,190,682	73,832	1,264,514	1,363,171
Prepaid expense	369,295	20,145	389,440	247,274
Vacation entitlements receivable (Note 4)	2,165,279	488,270	2,653,549	2,653,549
	8,241,507	1,261,230	9,502,737	7,525,421
Retirement obligations receivable (Note 15)	1,898,575	458,577	2,357,152	2,357,152
Restricted assets (Note 6)	97,975	-	97,975	215,604
Capital assets (Note 7)	41,702,481	11,326,032	53,028,513	51,969,578
	$ 51,940,538	$ 13,045,839	$ 64,986,377	$ 62,067,755

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2008	2007
	Regional Health Authority	Contract Facilities	Consolidated	(Restated - (Note 9) Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 8)	$ -	$ 26,962	$ 26,962	$ 301,635
Accounts payable and accrued liabilities	4,228,250	717,316	4,945,566	4,738,840
Accrued vacation entitlements (Note 4)	2,807,419	637,524	3,444,943	3,198,008
Current portion of long-term debt (Note 10)	-	-	-	100,840
Unearned revenue	333,221	3,484	336,705	222,509
	7,368,890	1,385,286	8,754,176	8,561,832
Accrued retirement obligations (Note 15)	3,240,447	458,577	3,699,024	3,311,699
Deferred Contributions (Note 11)				
Expenses of future periods	599,915	293,131	893,046	1,157,939
Capital assets	41,174,232	11,115,033	52,289,265	49,667,195
	41,774,147	11,408,164	53,182,311	50,825,134
Commitments and contingencies (Note 14)				
Net Assets				
Investment in capital assets	528,249	210,999	739,248	2,201,543
Externally restricted - Contract Facilities	-	(417,187)	(417,187)	(620,582)
Externally restricted (Note 6)	97,975	-	97,975	215,604
Unrestricted	(1,069,170)	-	(1,069,170)	(2,427,475)
	(442,946)	(206,188)	(649,134)	(630,910)
	$ 51,940,538	$ 13,045,839	$ 64,986,377	$ 62,067,755

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31			2008	2007
	Regional Health Authority	Contract Facilities	Consolidated	(Restated - (Note 9) Consolidated
Revenue				
Province of Manitoba				
Health (Note 13)	$ 56,406,994	$ 8,439,397	$ 64,846,391	$ 57,658,379
Other	1,547,911	124,570	1,672,481	952,176
Government of Canada	21,500	80,834	102,334	346,536
Non-insured income	2,697,358	2,199,916	4,897,274	5,126,935
Other income and recovered services	124,598	269,605	394,203	257,947
Amortization of deferred contributions	2,280,796	490,992	2,771,788	2,561,504
	63,079,157	11,605,314	74,684,471	66,903,477
Expenditures				
Acute care services	21,425,704	-	21,425,704	18,819,604
Long-term care services	8,154,298	10,829,567	18,983,865	17,757,799
Community based home care services	12,421,633	-	12,421,633	11,351,267
Community based health services	4,889,630	-	4,889,630	4,906,323
Medical remuneration	5,025,767	-	5,025,767	3,669,778
Diagnostic services	3,200,172	-	3,200,172	2,962,141
Amortization of capital assets	2,280,796	490,992	2,771,788	2,561,504
Community based mental health services	2,236,526	-	2,236,526	1,996,734
Emergency Medical Services	2,310,150	-	2,310,150	1,808,211
Regional Health Authority costs	1,387,294	-	1,387,294	1,102,501
Interest on long-term debt	-	4,813	4,813	9,702
	63,331,970	11,325,372	74,657,342	66,945,564
Excess (deficiency) of revenue over expenditures before other item	(252,813)	279,942	27,129	(42,087)
Other Item				
Retirement obligation funding received 2005/06	-	-	-	236,960
Excess (deficiency) of revenue over expenditures for the year	$ (252,813)	$ 279,942	$ 27,129	$ 194,873
Allocated as follows				
Externally restricted	$ -	$ 279,942	$ 279,942	$ (225,447)
Unrestricted	(252,813)	-	(252,813)	420,320
	$ (252,813)	$ 279,942	$ 27,129	$ 194,873

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31	Investment in Capital Assets (Note 12)	Externally Restricted - Contract Facilities	Externally Restricted (Note 6)	Unrestricted	2008 Total	2007 Total (Restated - (Note 9)
Balance, beginning of year	$ 2,201,543	$ (620,582)	$ 215,604	$ (2,427,475)	$ (630,910)	$ (843,070)
Interest revenue	-	-	23,901	-	23,901	17,787
Expenditures during year	-	-	(141,530)	-	(141,530)	(500)
Adjustment to Deferred Contributions - capital assets	71,304	-	-	-	71,304	-
Adjustment to Deferred Contributions - expenses of future periods	-	972	-	-	972	-
Excess (deficiency) of revenue over expenditures for the year	-	279,942	-	(252,813)	27,129	194,873
Net changes in investment in capital assets	(1,533,599)	(77,519)	-	1,611,118	-	-
Balance, end of year	$ 739,248	$ (417,187)	$ 97,975	$ (1,069,170)	$ (649,134)	$ (630,910)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2008	2007
		(Restated - (Note 9)
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 27,129	$ 194,873
Net income (expenditure) of restricted net assets	(117,629)	17,287
Adjustments for		
Amortization of capital assets	2,771,788	2,561,504
Amortization of deferred contributions related to capital assets	(2,771,788)	(2,561,504)
Deferred contributions - expenses of future periods		
Receipts	502,893	78,754
Expenditures	(344,863)	(226,321)
	67,530	64,593
Changes in non-cash working capital		
Accounts receivable	(1,127,786)	62,870
Due from Manitoba Health	(30,690)	(394,514)
Inventories	98,657	(374,820)
Prepaid expense	(142,166)	(11,008)
Accounts payable and accrued liabilities	206,726	911,169
Accrued vacation entitlements	246,935	248,910
Unearned revenue	58,251	(200,651)
	(690,073)	241,956
Accrued retirement obligations	387,325	302,829
	(235,218)	609,378
Cash Flows from Investing Activities		
(Increase) decrease in restricted assets	117,629	(17,287)
Purchase of capital assets	(4,988,709)	(3,675,654)
	(4,871,080)	(3,692,941)
Cash Flows from Financing Activities		
Repayment of long-term debt	(100,840)	(149,251)
Receipt of deferred contributions related to capital assets	6,257,142	2,617,193
	6,156,302	2,467,942
Net increase (decrease) in cash and cash equivalents	1,050,004	(615,621)
Cash and cash equivalents, beginning of year	794,217	1,409,838
Cash and cash equivalents, end of year	$ 1,844,221	$ 794,217
Represented by		
Cash	$ 1,871,183	$ 1,095,852
Bank indebtedness	(26,962)	(301,635)
	$ 1,844,221	$ 794,217
Supplementary Information		
Interest paid	$ 4,813	$ 9,702

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2008

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the seven service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport, Diagnostic Services and Regional Health Authority. All additional costs in these seven service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements are recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Revenue Recognition (continued)

Conversely, any operating deficits related to Out of Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method in all areas excluding materials management which is determined by the average cost method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2.5%
Major equipment	10% to 20%

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial Instruments

The Authority utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Authority's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash, bank indebtedness and restricted assets. They are carried in the statement of financial position at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from Manitoba Health, vacation entitlements receivable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Pension Plan

The Authority maintains a multi-employer defined benefit pension plan available to all eligible employees.

The obligation under the plan is determined using the accrued benefit method reflecting projected benefits for services rendered to date. The surplus or deficit of the market value of the plan assets over the obligation is amortized on a straight-line basis over the expected average remaining service life of the plan members.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Authority, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Authority is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Authority is currently assessing the impact of the new standard.

1. Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 6.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

On April 1, 2007, the Authority retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Authority's consolidated statement of operations.

3. Accounts Receivable

	2008	2007
Receivables from patients	$ 132,934	$ 169,976
Receivables from residents	47,050	29,832
Goods and services tax	120,892	193,752
Due from related parties of Contract facilities	282,508	292,396
Capital funding receivable	559,799	-
The Bethesda Foundation Inc.	690,265	55,689
Ste. Anne Foundation	121,053	242,106
De Salaberry Foundation	4,778	-
Other		
RHA	485,676	283,479
Contract facilities	46,364	96,303
	$ 2,491,319	$ 1,363,533

4. Accrued Vacation Entitlements

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 2,653,549	$ 2,653,549
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 2,653,549	$ 2,653,549

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	$ 3,198,008	$ 2,949,098
Net increase (decrease) in accrued vacation entitlements	246,935	248,910
Balance, end of year	$ 3,444,943	$ 3,198,008

5. Due from (to) Manitoba Health

	2008	2007
In Globe		
Immunization funding	$ 85,702	$ 97,778
Interfacility transfers - EMS	94,368	159,965
Supportive Housing	-	42,200
Long Term Care Strategy Phase 2	135,475	-
Other	79,142	44,465
Out of Globe		
MAHCP wage standardization	152,632	372,500
MGEU wage standardization	519,432	247,757
MNU wage standardization	207,212	-
Capital funding 2006/07	-	182,934
Capital funding 2007/08	108,112	-
Capital interest	102,546	-
Medical remuneration 2006/07	-	(345,557)
Medical remuneration 2007/08	(651,889)	-
	$ 832,732	$ 802,042

6. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to the Authority. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Ste. Anne Hospital	Bequests	Total
Balance, beginning of year	$ 68,575	$ 15,741	$ 131,288	$ 215,604
Interest	11,007	2,652	10,242	23,901
2007/2008 Acquisition of property	-	-	(141,530)	(141,530)
Balance, end of year	$ 79,582	$ 18,393	$ -	$ 97,975

In addition, the Authority received a restricted bequest which has been used for long-term care at Bethesda Place.

7. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 768,088	$ -	$ 693,088	$ -
Buildings	61,579,841	15,971,270	56,855,443	14,537,017
Major equipment	19,829,508	14,100,323	21,800,190	14,919,159
Construction in progress	922,669	-	2,077,033	-
	$ 83,100,106	$ 30,071,593	$ 81,425,754	$ 29,456,176
Cost less accumulated amortization		$ 53,028,513		$ 51,969,578

8. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $2,700,000. The line of credit bears interest at Royal Bank prime less 0.80% and is supported by an authorization letter from Manitoba Health and assignment of fire insurance covering property of every description.

In addition, the contract facilities have approved operating lines of credit with various financial institutions for an aggregate of $395,000. The lines of credit bear interest at prime to prime plus 1% and are supported by authorization letters from Manitoba Health and general security agreements.

9. Long-term Debt Restatement

During the year it was identified that a bank loan of one of the Authority's contract facilities continued to be reflected as debt where in fact it should have been shown as being assumed by the Province of Manitoba and transferred to deferred contributions (consistent with other bank debt reclassified in 2004).

Accordingly long-term debt and deferred contributions have been restated as follows:

	April 1, 2007	April 1, 2006
Long-term debt, as previously reported	$ 591,499	$ 821,390
Reclassification of debt assumed by the Province of Manitoba to Deferred Contributions (Note 11)	(490,659)	$ (571,299)
	100,840	250,091
Current portion of long-term debt	100,840	88,000
Remaining long-term debt to be funded by the Authority and its contract facilities	$ -	$ 162,091

10. Long-Term Debt

	2008	2007 restated
Bank loan payable	$ -	$ 100,840
Less: current portion of long-term debt	-	100,840
	$ -	$ -

11. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs and construction projects.

	2008	2007
Balance, beginning of year	**$ 1,157,939**	$ 1,277,852
Additional amounts received during year	**502,893**	78,754
Less 2007/2008 expenditures	**(344,863)**	(226,321)
Reclassifications to unearned revenues (see below)	**(55,945)**	-
Transfers to externally restricted		
- contract facilities (see below)	**(972)**	-
Transfers (to) from deferred contributions - capital assets	**(366,006)**	27,654
Balance, end of year	**$ 893,046**	$ 1,157,939

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

Changes in the deferred contribution balance are as follows:

	2008	2007 restated
Balance, beginning of year,		
As previously stated	**$ 49,176,546**	$ 49,067,861
Adjustment to long-term debt (Note 9)	**490,649**	571,299
As restated	**49,667,195**	49,639,160
Additional contributions received, net	**6,257,142**	2,617,193
Transfers to deferred contributions		
- expenses of future periods	**366,006**	(27,654)
- investment in capital assets (see below)	**(71,304)**	-
Less assets transferred to Diagnostic Services of Manitoba	**(1,157,986)**	-
Less amounts amortized to revenue	**(2,771,788)**	(2,561,504)
Balance, end of year	**$ 52,289,265**	$ 49,667,195

11 Deferred Contributions (continued)

During the year the Authority undertook a complete review of all deferred contribution accounts and identified certain reclassifications among unearned revenue, deferred contributions and net assets were necessary. These reclassifications have been presented as current year adjustments.

12. Investment in Capital Assets

	2008	2007 restated
a) Investment in capital assets is calculated as follows:		
Capital assets	$ 53,028,513	$ 51,969,578
Amounts financed by		
Deferred contributions	52,289,265	49,667,195
Long-term debt	-	100,840
	$ 739,248	$ 2,201,543
b) Change in net assets invested in capital assets is calculated as follows:		
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 2,771,788	$ 2,561,504
Amortization of capital assets	(2,771,788)	(2,561,504)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	$ 4,988,709	$ 3,675,654
Manitoba Health funding	(4,923,372)	(2,021,704)
Donations	(1,333,770)	(595,489)
Transfers to (from)		
Deferred contributions - expenses of future periods (net)	(366,006)	27,654
Repayment of long-term debt	100,840	149,251
	$ (1,533,599)	$ 1,235,366

13. Revenue from Manitoba Health

		2008
Revenue from Manitoba Health		
Revenue as per Manitoba Health's final funding document		$ 65,380,462
Add:	Manitoba Department of Finance reallocations	998,029
	Wage standardization	834,638
		67,213,129
Deduct:		
	Medical remuneration	651,889
Total Funding Approved by Manitoba Health		66,561,240
Deduct:	Amounts recorded as deferred contributions	
	- expenses of future periods	19,794
	- capital assets	1,214,792
	- capital interest funded	404,128
	- capital interest receivable	76,135
Revenue from Manitoba Health		$ 64,846,391

14. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

The Authority's coverage also includes contract facilities as named insured parties.

c) At March 31, 2008, minimum annual lease payments under operating leases for premises expiring 2021 are $ 216,935 to be adjusted annually for inflation.

14. Commitments and Contingencies (continued)

d) The Authority has entered into operating leases with The Royal Bank of Canada for equipment. The Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000 with $224,460 unutilized at March 31, 2008. The equipment is leased at a monthly cost of $11,638, under leases expiring on or before November 2011. The estimated annual lease payments for the next four years are as follows:

2009	$ 135,798
2010	68,963
2011	35,835
2012	14,944

15. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2008.

The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 5.5% (4.85% in 2007) and a rate of salary increase of 3.5% (3.0% in 2007) plus an age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

15. Employee Future Benefits (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	**$ 3,311,699**	$ 3,008,870
Net increase in pre-retirement entitlements	**387,325**	302,829
Balance, end of year	**$ 3,699,024**	$ 3,311,699

b) Pension plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.80% of salary, 8.40% for salaries greater than $44,900, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006 indicates the Plan is fully funded. Contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,081,397 (2007 - $1,877,394) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

16. Comparative Figures

Certain comparative figures have been reclassified to provide better comparison with the current year's presentation. Excess of revenue over expenditures remains as previously reported.

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Winnipeg Regional Health Authority. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Deloitte & Touche LLP provides an independent audit of the consolidated financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the consolidated financial statements prepared by management.

Dr. Brian D. Postl
President & Chief Executive Officer

Paul A. Kochan, FCA
Vice-President & Chief Financial Officer

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the consolidated statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Manitoba
June 19, 2008

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Operations

For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
REVENUE		
Manitoba Health and Healthy Living operating income	$ 1,819,727	$ 1,702,506
Other income (Schedule 1)	110,609	103,376
Amortization of deferred contributions, capital	55,756	52,228
Recognition of deferred contributions, future expenses	7,054	6,390
	1,993,146	1,864,500
EXPENSES		
Direct operations	1,656,440	1,529,381
Interest	918	399
Amortization of capital assets	56,438	53,778
	1,713,796	1,583,558
FACILITY FUNDING		
Long term care facility funding (Schedule 2)	232,823	225,394
Community health agency funding (Schedule 3)	29,457	27,336
Adult day care facility funding (Schedule 4)	2,674	2,637
Long term care community therapy services	675	632
GRANT FUNDED		
Grants to facilities and agencies (Schedule 5)	18,825	15,487
	1,998,250	1,855,044
OPERATING (DEFICIT) SURPLUS	(5,104)	9,456
NON-INSURED SERVICES		
Non-insured services income	79,334	76,587
Non-insured services expenses	73,545	71,642
NON-INSURED SERVICES SURPLUS	5,789	4,945
SURPLUS FOR THE YEAR	$ 685	$ 14,401

. . . . . Director

. . . . . Director

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position
As at March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
ASSETS		
CURRENT		
Cash and marketable securities	$ 32,301	$ 58,777
Accounts receivable (Note 5)	118,562	76,025
Inventory	18,212	16,327
Prepaid expenses	9,543	10,032
Employee benefits recoverable from Manitoba Health and Healthy Living (Note 6)	78,675	78,675
	257,293	239,836
CAPITAL ASSETS (Note 7)	983,616	910,627
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health and Healthy Living (Note 19)	82,302	82,302
Investments (Note 8)	22,079	27,099
Specific purpose funds (Note 9)	46,851	46,228
Nurse recruitment and retention fund (Note 10)	2,847	3,419
	$ 1,394,988	$ 1,309,511
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	$ 196,813	$ 156,008
Employee benefits payable (Note 6)	92,802	87,252
Current portion of long term debt (Note 12)	2,264	10,035
	291,879	253,295
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 12)	31,195	25,540
Employee future benefits payable (Note 19)	116,764	111,528
Specific purpose funds (Note 9)	46,851	46,228
Deferred contributions (Note 13)	845,989	810,132
Nurse recruitment and retention fund (Note 10)	2,847	3,419
	1,335,525	1,250,142
NET ASSETS	59,463	59,369
COMMITMENTS AND CONTINGENCIES (Note 15)		
	$ 1,394,988	$ 1,309,511

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2008
(in thousands of dollars)

	2008														2007
			Internally Restricted Net Assets												
	Investment in Capital Assets (Note 14)	Unrestricted Net Assets	Laundry Capital Assets	Pan Am Capital Assets	Telehealth Capital Assets	Concordia Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Riverview Internally Restricted	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total Internally Restricted	Total	Total (Restated - Note 20)
Balance, beginning of year	$ 67,364	$ (24,894)	$ 611	$ 853	$ 457	$ -	$ -	$ -	$ 3,090	$ 2,707	$ 3,051	$ 6,130	$ 16,899	$ 59,369	$ 27,741
Prior period adjustment:															
Consolidation of Other Hospitals and MATC (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,171
Amortization of capital assets (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56
Adjusted balance, beginning of year	67,364	(24,894)	611	853	457	-	-	-	3,090	2,707	3,051	6,130	16,899	59,369	44,968
Change in accounting policies (Note 2)	-	(40)	-	-	-	-	-	-	-	109	(7)	-	102	62	-
Transfer surplus to foundation	-	(653)	-	-	-	-	-	-	-	-	-	-	-	(653)	-
Net (deficit) surplus	(3,531)	2,937	-	-	-	-	-	-	82	148	630	419	1,279	685	14,401
Purchases of capital assets	31,014	(28,474)	(390)	(1,151)	-	-	(562)	-	(389)	-	-	(48)	(2,540)	-	-
Net Asset Restrictions	-	(8,274)	745	298	505	1,030	3,650	1,744	302	-	-	-	8,274	-	-
Balance, end of year	$ 94,847	$ (59,398)	$ 966	$ -	$ 962	$ 1,030	$ 3,088	$ 1,744	$ 3,085	$ 2,964	$ 3,674	$ 6,501	$ 24,014	$ 59,463	$ 59,369

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
OPERATING ACTIVITIES		
Surplus for the year	$ 685	$ 14,401
Transfer of surplus to Misericordia Health Centre Foundation Inc.	(653)	-
Items not affecting cash		
Amortization of capital assets	62,475	59,907
Amortization of deferred contributions related to capital assets	(58,944)	(55,501)
Recognition of deferred contributions related to future expenses	(7,860)	(6,393)
Unrecognized (gains) losses on investments	(734)	-
Loss on transfer of capital assets	-	110
Net change in employee future benefits	10,786	4,933
	5,755	17,457
Changes in non-cash operating working capital items	(3,128)	(4,139)
Deferred contributions received - future expenses	7,637	12,363
	10,264	25,681
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	95,024	100,787
Long term debt repayments	(2,116)	(19,292)
	92,908	81,495
INVESTING ACTIVITIES		
Purchase of capital assets	(135,464)	(115,996)
Decrease in investments	5,816	1,917
	(129,648)	(114,079)
DECREASE	(26,476)	(6,903)
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	58,777	65,680
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 32,301	$ 58,777
Comprised of:		
Cash	$ 23,137	$ 21,519
Marketable securities	9,164	37,258
Total	$ 32,301	$ 58,777
Supplementary Information:		
Interest paid	$ 2,009	$ 1,838

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority", WRHA) was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Deer Lodge Centre, and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital, The Salvation Army Grace General Hospital ("the Community Hospitals") and the three non-devolved hospitals, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital ("the Other Hospitals"), and the Manitoba Adolescent Treatment Centre ("MATC"). Long term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. CHANGES IN ACCOUNTING POLICIES

The Authority has adopted the following recommendations of the CICA Handbook:

a) Section 1506, Accounting Changes

This revised standard requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Authority has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) Section 3855, Financial Instruments – Recognition and Measurement

This section describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) Section 3861, Financial Instruments – Disclosure and Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) Section 3251, Equity

This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

2. CHANGES IN ACCOUNTING POLICIES (continued)

The Authority has made the following classifications:

- Cash and marketable securities, investments (bonds, money market and mutual funds), specific purpose funds and nurse recruitment and retention fund are classified as financial assets held for trading and are measured at fair value.
- Investments (mortgage), accounts receivable, employee benefits recoverable from Manitoba Health and Healthy Living and employee future benefits recoverable from Manitoba Health and Healthy Living are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, current portion of long term debt, employee benefits payable, specific purpose funds, nurse recruitment and retention fund and long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. The implementation of the standard on April 1, 2007 resulted in a decrease to investments of $62, a decrease of $40 to unrestricted net assets and an increase of $102 to internally restricted net assets due to the adoption of recording the investments at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority's operations is classified into these four distinct segments:

i. Direct Operations provided through:

- Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (Health Sciences Centre, Deer Lodge Centre and Pan Am sites), and Medical Remuneration.
- Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.
- Non-devolved Other Hospitals and MATC – by means of operating agreements

ii. Long Term Care and Community Health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.

iii. Other Health services – provided through various agencies by means of grant funding mechanisms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Definition of controlled entity

The Authority is the majority funder of the Community Hospitals, the Other Hospitals and MATC, which act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Community Hospitals', the Other Hospitals', and MATC's purposes are integrated with that of the WRHA such that they and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Community Hospitals, Other Hospitals and MATC, the WRHA has the ability to determine their strategic operating, investing and financing policies.

Additionally, the Deer Lodge Centre Foundation has been deemed a controlled entity by virtue of the fact that its purpose is to raise funds under the direction of the Deer Lodge Centre.

As permitted by Canadian generally accepted accounting principles, the controlled Community Hospitals, Other Hospitals and MATC have been consolidated into the Authority's financial statements due to the nature of the agreements in existence, while the controlled Deer Lodge Centre Foundation has not since it is not directly involved in the delivery of health care services. Note 18 provides a financial summary of this controlled non-consolidated entity.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions – recorded as revenue in the period to which they relate.

ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

The Authority is funded by the Province of Manitoba using Manitoba Health and Healthy Living funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health and Healthy Living for the year ended March 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventory consists of medical supplies, drugs, linen and other supplies that are valued at average cost and expensed when put into use.

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2-20%
Furniture & equipment	5-33%
Computer hardware and software	10-20%
Leasehold improvements	over the life of the lease

f) Surplus retention and use policy

Non-proprietary personal care homes, and community health agencies are eligible to retain insured services surpluses based on an agreed upon formula. The non-retainable portion of the surplus is recorded on their Statement of Financial Position as a payable to WRHA.

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

h) Internally restricted net assets

The Authority has allocated some of the net assets to future capital purchases through internal restrictions by the Boards of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the sites that it funds, minimizing credit risk.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings.

Financial assets and liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

	Classification
Cash and marketable securities	Held for trading
Specific purpose funds	Held for trading
Nurse recruitment and retention fund	Held for trading
Investments (bonds, money market and mutual funds)	Held for trading
Investments (mortgage)	Loans and receivables
Accounts receivable	Loans and receivables
Employee benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Employee future benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Employee benefits payable	Other liabilities
Long-term debt	Other liabilities
Specific purpose funds	Other liabilities
Nurse recruitment and retention fund	Other liabilities

The carrying value of accounts receivable, employee benefits recoverable from Manitoba Health and Healthy Living, employee future benefits recoverable from Manitoba Health and Healthy Living, accounts payable and accrued liabilities and employee benefits payable approximates their fair value due to the short-term nature of these instruments. The carrying value of specific purpose funds and nurse recruitment and retention fund approximates their fair value due to the held for trading classification of the underlying investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Authority uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

j) Investments

Effective April 1, 2007, bonds, money market and mutual fund investments are classified as held for trading and are stated at fair value. Unrealized gains and losses, representing the change in the difference between the fair value and the cost of these investments at the beginning and end of each year, are reflected in other income in the Consolidated Statement of Operations. Fair value of investments is determined based on quoted market prices.

The mortgage is classified as loans and receivables and is measured at amortized cost.

For periods prior to April 1, 2007, all investments were recorded at cost, and investment income was recorded on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Due to/from Manitoba Health and Healthy Living

In Globe funding

In Globe funding is funding approved by Manitoba Health and Healthy Living for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service areas must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health and Healthy Living.

Under Manitoba Health and Healthy Living policy, the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health and Healthy Living.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health and Healthy Living for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health and Healthy Living.

Conversely, any operating deficits related to Out of Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health and Healthy Living are absorbed by the Authority.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Authority's next fiscal year. The Authority is in the process of determining the impact that these standards will have on its financial reporting.

a) Capital Disclosures

Section 1535, "Capital Disclosures" establishes standards for the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

b) Financial Instruments – Disclosures and Presentation

Sections 3862, "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" replace the existing Section 3861 "Financial Instruments – Disclosure and Presentation". These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

c) Inventories

Section 3031, "Inventories" replaces the existing Section 3030 with the same title. The new section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. Other changes from the current standards on accounting for inventories include: (i) the elimination of the LIFO method of accounting for inventory; (ii) the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use; and (iii) the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. In addition, disclosure requirements have been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are now required to be disclosed.

5. ACCOUNTS RECEIVABLE

	2008	2007 (Restated - Note 20)
Manitoba Health and Healthy Living - operating, capital and fee for service	$ 65,629	$ 35,152
Facility advances and receivables	12,711	1,249
Patient related and other	40,934	40,185
Allowance for doubtful accounts	(712)	(561)
	$ 118,562	$ 76,025

6. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004 changes in the liability related to employee benefits were recoverable from Manitoba Health and Healthy Living. Manitoba Health and Healthy Living advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

An analysis of the changes in the employee benefits recoverable from Manitoba Health and Healthy Living is as follows:

	2008	2007 (Restated - Note 20)
Balance, beginning of year	$ 78,675	$ 78,675
Balance, end of year	$ 78,675	$ 78,675

An analysis of the changes in the employee benefits payable is as follows:

Balance, beginning of year	$ 87,252	$ 83,637
Increase in vacation / overtime / statutory holidays entitlements	5,550	3,615
Balance, end of year	$ 92,802	$ 87,252

7. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
				(Restated - Note 20)
Land	$ 16,484	$ -	$ 16,484	$ 16,693
Buildings	996,046	(344,236)	651,810	543,324
Furniture & equipment	714,110	(554,703)	159,407	138,121
Computer hardware and software	35,385	(22,845)	12,540	5,082
Leasehold improvements	15,072	(5,122)	9,950	3,790
Construction in Progress	133,425	-	133,425	203,617
	$ 1,910,522	$ (926,906)	$ 983,616	$ 910,627

8. INVESTMENTS

	2008	2007
		(Restated - Note 20)
Money market investments	$ 9,164	$ 37,258
Bonds	19,657	24,521
Mutual funds	328	6
Mortgage	2,094	2,572
	31,243	64,357
Less: amounts included with cash and marketable securities	(9,164)	(37,258)
	$ 22,079	$ 27,099

In 2008, investments are carried at fair value except for the mortgage, which is at amortized cost. In 2007, carrying value represented book value (Note 3j).

The fair value of the bonds was $24,536 and the fair value of the mutual funds was $5 at March 31, 2007 using quoted market prices.

Investments include a mortgage of $2,094 (2007 - $2,572) to Parkade Inc., a corporation without share capital whose Member is the same as that of the St. Boniface General Hospital. Interest is charged at the rate of 4.2% per annum and mortgage payments are $48 per month including principal and interest. Under the current terms it is estimated the mortgage will retire by March 15, 2012. The mortgage covers the parkade structure and the leasehold title for the land on which the parkade is situated. The fair value of the mortgage is estimated at $2,123 (2007 - $2,567). The fair value was determined using estimated market rates available to the Authority for the same or similar instruments.

9. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2008	2007 (Restated - Note 20)
Cash and investments, at carrying value	$ 46,851	$ 46,228

In 2008, investments are carried at fair value using quoted market prices. In 2007, carrying value represented book value.

The Authority maintains numerous research and trust accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2008	2007 (Restated - Note 20)
Balance, beginning of year	$ 46,228	$ 44,959
Grants, bequests and donations	25,860	26,196
Investment income	1,379	1,807
Disbursements	(26,616)	(26,734)
Balance, end of year	$ 46,851	$ 46,228

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

10. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health and Healthy Living had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health and Healthy Living, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and investments held for the Nurse Recruitment and Retention Fund include the following:

		2008		2007
Cash and investments, at carrying value	$	2,847	$	3,419

In 2008, investments are carried at fair value using quoted market prices. In 2007, carrying value represented book value.

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

Balance, beginning of year	$	3,419	$	3,990
Additions to fund		1,400		1,309
Interest earned on investment		133		120
Fund expenditures		(2,105)		(2,000)
Balance, end of year	$	2,847	$	3,419

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2008		2007 (Restated - Note 20)
Accounts payable and accrued liabilities	$	144,575	$	120,453
Accrued salaries		48,351		33,851
Accrued interest on long term debt		462		455
Holdbacks on construction contracts		3,425		1,249
	$	196,813	$	156,008

12. LONG-TERM DEBT

	2008	2007 (Restated - Note 20)
Prime less 0.5% Term Loan, maturing 2011 Concordia Energy Saving Project Fair value $209 (2007 - $275)	$ 209	$ 275
Hospital Loan- Atrium 5.8%, maturing September 30, 2014 St. Boniface General Hospital Fair value $12,398 (2007 - $11,873)	11,122	11,514
Prime plus 0.25% Demand Loan, maturing 2015 Grace General Hospital Hospice Fair value $321 (2007 - $371)	321	371
Prime less 1.0% Mortgage, maturing 2017 Health Sciences Centre Emily Street Parkade Fair value $7,595 (2007 - $8,099)	7,595	8,361
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services Fair value $13,461 (2007 - $14,626)	13,690	14,532
Government of Canada, Technology 2000 Inc. loan St. Boniface Hospital Fair value undeterminable	522	522
	33,459	35,575
Less amounts due within one year, included in current liabilities	(2,264)	(10,035)
	$ 31,195	$ 25,540

The fair value of long term debt has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

The Technology 2000 Inc. loan is from the Government of Canada, through the Western Economic Diversification Program. The loan is unsecured and no further interest is accrued. It is not practical to determine the fair value of the Technology 2000 Inc. loan due to the underlying terms.

The principal repayments over the next five fiscal years are as follows:

2009	$ 2,264
2010	2,358
2011	2,433
2012	2,488
2013	2,604

13. DEFERRED CONTRIBUTIONS

		2008		2007 (Restated - Note 20)
Deferred contributions, future expenses				
- operating expenses	$	12,985	$	12,813
- contract settlement expenses		3,524		4,902
		16,509		17,715
Deferred contributions, capital		829,480		792,417
Deferred contributions, total	$	845,989	$	810,132

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The recognition of deferred contributions, future expenses is recorded as revenue in the statement of operations.

		2008		2007 (Restated - Note 20)
Balance, beginning of year	$	17,715	$	11,835
Amount received during the year		7,637		12,363
Transferred to deferred contributions, capital		(983)		(90)
Less: amount recognized as revenue - Programs		(7,054)		(6,390)
Less: amount recognized as revenue - Non-insured services		(806)		(3)
Balance, end of year	$	16,509	$	17,715

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

		2008		2007 (Restated - Note 20)
Balance, beginning of year	$	792,417	$	747,041
Amount received during the year		95,024		100,787
Transferred from deferred contributions, future expenses		983		90
Less: amount amortized to revenue – Programs		(55,756)		(52,228)
Less: amount amortized to revenue – Non-insured services		(3,188)		(3,273)
Balance, end of year	$	829,480	$	792,417

13. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

In prior years, the Authority entered into long term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has incorporated the following long-term debt as deferred contributions:

	2008	2007 (Restated - Note 20)
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health and Healthy Living, 2.69% revolving 60 days	$ -	$ 7,747
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health and Healthy Living, Prime less 1.0% to Prime less 0.5%	50,009	11,892
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre	25,000	25,000
Sinking fund debentures, Series D, 10.25%, maturing July 15, 2008 St. Boniface General Hospital	23,000	23,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	51,500	51,500
	$ 149,509	$ 119,139

At March 31, 2008 the value of the sinking fund assets and accumulated interest aggregated $61,045 (2007 restated - $55,439). Annual payments are made by the Authority/Manitoba Health and Healthy Living from cash held in trust, which at March 31, 2008 was $2,112 (2007 - $2,112).

14. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

		2008		2007 (Restated - Note 20)
Capital assets	$	850,191	$	707,010
Construction and other projects in progress		133,425		203,617
	$	983,616	$	910,627
Amounts financed by:				
Deferred contributions	$	(829,480)	$	(792,417)
Loans and accounts payable		(59,289)		(50,846)
Investment in capital assets	$	94,847	$	67,364

Change in investment in capital assets is calculated as follows:

		2008		2007 (Restated - Note 20)
a) Excess of expenses over revenues				
Amortization of capital assets included in programs	$	(56,438)	$	(53,778)
Amortization of capital assets included in non-insured services		(6,037)		(6,129)
Amortization of deferred contributions related to capital assets included in programs		55,756		52,228
Amortization of deferred contributions related to capital assets included in non-insured services		3,188		3,273
	$	(3,531)	$	(4,406)
b) Purchase of capital assets	$	135,464	$	115,996
Amounts funded by:				
Capital contributions received in the year		(95,024)		(100,787)
Capital contributions transferred from future expenses		(983)		(90)
Change in capital contributions receivable, loans and accounts payable		(8,443)		(4,836)
	$	31,014	$	10,283
Change in Investment in Capital Assets	$	27,483	$	5,876

15. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

b) At March 31, 2008, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2009	$7,734
2010	6,087
2011	5,012
2012	4,799
2013	4,737

c) At March 31, 2008, the Authority had capital commitments of approximately $22,143 (2007 restated - $76,533) and equipment purchase commitments of approximately $12,309 (2007 restated - $10,777).

d) The Authority has entered into various operating lease commitments. The minimum amounts payable over the next five fiscal years are as follows:

2009	$ 3,433
2010	3,035
2011	2,268
2012	1,470
2013	738

16. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal under provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008

17. ECONOMIC DEPENDENCE

The Authority received approximately 91% (2007 restated - 91%) of its total revenue from Manitoba Health and Healthy Living and is economically dependent on Manitoba Health and Healthy Living for continued operations.

18. RELATED PARTY RELATIONSHIPS

The Authority provides community health services through operations directly owned by the Authority as well as through other organizations and agencies via a variety of agreements (Notes 1 and 3a). For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, and MATC are controlled (Note 3b) and have been consolidated into the Authority's financial statements.

The Deer Lodge Centre Foundation, which is incorporated under the Corporations Act of Manitoba, is a registered charity for the purposes of the Income Tax Act and accordingly is exempt from income taxes. The Deer Lodge Centre Foundation's aims and objectives are to raise, invest and allocate funds to or for the benefit of the Deer Lodge Centre.

A financial summary of the Deer Lodge Centre Foundation, which has not been consolidated into the Authority's financial statements, is as follows:

		2008		2007 (Restated – Note 20)
Financial Position				
Total assets	$	3,910	$	3,883
Total liabilities & deferred contributions		620		588
Total net assets	$	3,290	$	3,295
Results of Operations				
Total revenues	$	663	$	688
Total expenses		663		688
Surplus from operations	$	-	$	-
Cash Flows				
From operating activities	$	(309)	$	(190)
Used for financing & investing		257		185
Decrease in cash	$	(51)	$	(5)

18. RELATED PARTY RELATIONSHIPS (continued)

b) Significant influence

The Health Sciences Centre Foundation Inc.'s ("HSCF") aims and objectives are to promote health care excellence by funding medical research and clinical projects. The Authority exercises significant influence on HSCF as the Health Sciences Centre appoints two of HSCF's board members and a portion of the funds raised by HSCF are directed to the Health Sciences Centre.

HSCF is incorporated under the Corporations Act of Manitoba and is a registered charity for the purposes of the Income Tax Act and accordingly exempt from income taxes.

c) Economic interest

Funding is provided to proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements to deliver service on behalf of the Authority. As a result, the Authority has economic interest in these entities.

Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service.

d) Related parties

The Authority and its Controlled Entities have relationships with the following parties:

Health Sciences Centre
- Children's Hospital Foundation of Manitoba Inc.

Concordia Hospital
- The Concordia Foundation Inc.
- Concordia Wellness Projects Inc.
- Concordia Hospital Fund Inc.

Seven Oaks General Hospital
- Seven Oaks General Hospital Foundation Inc.

The Salvation Army Grace General Hospital
- Grace General Hospital (Winnipeg) Foundation Inc.
- The Salvation Army Winnipeg Grace General Hospital Auxiliary

Victoria General Hospital
- The Victoria General Hospital Foundation Inc.
- Guild of Victoria General Hospital Inc.

Riverview Health Centre Inc.
- River Health Centre Foundation Inc.

18. RELATED PARTY RELATIONSHIPS (continued)

d) Related parties (continued)

Misericordia Health Centre
- Misericordia Health Centre Foundation Inc.

St. Boniface General Hospital
- St. Boniface General Hospital Auxillary Inc.
- St. Boniface Hospital & Research Foundation Inc.
- St. Boniface General Hospital Parkade Inc.
- Biovan Inc.
- Dorais Charities Inc.

The financial statements of these related parties have not been included in these statements but are available from the individual related entities.

19. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependant on the agreement/policy applicable to the employee):

1. Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:
   i. has 10 years service* and has reached the age 55
   ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

   *Non-union policy requires 5 years service for staff not covered by a collective agreement.

2. One week of pay for each year of service up to 15 years of service and two weeks of additional pay for each five years past the 15 years of service up to 35 years of service upon retirement if the employee complies with the following conditions:
   i. has 9 or more years of service
   ii. has reached the age of 55

3. One week of pay for each year of accumulated service or portion thereof to a maximum of fifteen weeks pay upon retirement if the employee complies with the following conditions:
   i. has 10 or more years of service
   ii. has reached the age of 55

19. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

4. Payment or pre-retirement leave equivalent to the number of unused sick leave days accumulated during the last 5 years service plus 25% of the unused sick days accumulated prior to the last 5 years of service multiplied by the daily rate of the employee's permanent or regular position in effect on the employee's last day of service payable upon:
    i. Retirement, death, or termination of service caused by a transfer of departmental function.

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2007, projected to March 31, 2008. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 – 4.85%) and a rate of salary increase of 3.5% (2007 – 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount of funding which will be provided by Manitoba Health and Healthy Living for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the statement of financial position. Manitoba Health and Healthy Living has indicated that payment of this receivable, when required, is guaranteed by the Province. Any future changes from the March 31, 2004 liability amount will be reflected in the statement of operations.

		2008		2007 (Restated – Note 20)
Employee future benefits recoverable from Manitoba Health and Healthy Living	$	**82,302**	$	82,302

An analysis of the changes in the employee benefits payable is as follows:

Balance, beginning of year	$	**111,528**	$	110,210
Net increase in pre-retirement entitlements		**5,236**		1,318
Balance, end of year	$	**116,764**	$	111,528

19. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension plan

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2007, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $51,373 (2007 restated - $47,696) and are included in the statement of operations.

Some employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

Some employees are eligible for membership in the multi employer City of Winnipeg Employee's Benefits Program which consists of the Civic Employee's Pension Plan and the Civic Employees Long-Term Disability Plan. The Civic Employee's Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $238 (2007 - $374) for current year's contributions. The Civic Employees Long-Term Disability Plan provides disability benefits to members who become disabled on or after January 1, 1992. The Authority contributed $1,240 (2007 - $1,102) to the plan during the year.

20. RESTATEMENT OF PRIOR PERIODS

Due to the resulting inclusion of the Other Hospitals and MATC in these consolidated financial statements, the following restatements of have been made to the March 31, 2007 balances: increased the total assets by $306,375, increased the total liabilities by $284,981, increased the total net assets by $21,394. In addition, total revenue increased by $46,592 and total expenses increased by $42,425 for the year ended March 31, 2007.

The prior year financial statements were corrected to reflect an overstatement of amortization of capital assets at one of the Community Hospitals. This adjustment resulted in a decrease in amortization of capital assets expense in the amount of $56 and an increase in net assets – invested in capital assets in the amount of $56.

21. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

22. SUBSEQUENT EVENT

The Winnipeg Regional Health Authority entered into an agreement with the Salvation Army Grace General Hospital (the "Grace") on January 10, 2008. Under the terms of this agreement, the Grace agreed to transfer its operations, property, liabilities and obligations to the WRHA pursuant to the provisions of The Regional Health Authorities Act and subject to approval of The Governing Council of the Salvation Army in Canada, which was subsequently received.

The transfer was approved by the WRHA Board of Directors on March 25, 2008 and is effective April 1, 2008.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
Separately funded primary health programs	$ 4,391	$ 4,320
Patient and resident income	29,870	29,247
Radiology fee for service	11,599	10,625
External recoveries	51,498	45,666
Investment income	2,936	3,243
Miscellaneous income	10,315	10,275
Total	$ 110,609	$ 103,376

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 2 - Long Term Care Facility Funding
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
Non-Proprietary Personal Care Homes		
Bethania Mennonite Personal Care Home	$ 5,526	$ 5,527
Calvary Place Personal Care Home	3,941	3,811
Convalescent Home of Winnipeg	2,885	2,824
Donwood Manor Personal Care Home	4,615	4,422
Foyer Valade	5,819	5,115
Fred Douglas Lodge	5,395	5,194
Golden Links Lodge	3,242	3,164
Golden West Centennial Lodge	3,980	4,058
Holy Family Nursing Home	10,577	10,805
Lions Personal Care Centre	3,423	3,650
Luther Home	3,171	3,100
Meadowood Manor	3,268	3,288
Middlechurch Home of Winnipeg	7,705	7,658
Park Manor Personal Care Home	3,796	3,677
Pembina Place Mennonite Personal Care Home	2,334	2,299
Sharon Home	9,488	9,397
St. Joseph's Residence	3,972	3,953
Taché Centre	14,365	14,656
West Park Manor	5,271	5,178
Supportive Housing	3,853	3,526
Miscellaneous Funding Adjustments	1,301	445
Total	$ 107,927	$ 105,747
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	$ 7,337	$ 6,926
Central Park Lodge - Charleswood Care Centre	6,041	5,787
Central Park Lodge - Heritage Lodge	3,532	3,206
Central Park Lodge - Kildonan Personal Care Home	5,316	5,317
Central Park Lodge - Maples Personal Care Home	8,564	8,159
Central Park Lodge - Parkview Place	11,457	10,341
Central Park Lodge - Poseidon Care Centre	8,619	8,123
Extendicare - Oakview Place	9,495	9,315
Extendicare - Tuxedo Villa	7,914	7,688
Fort Garry Care Centre	-	459
Golden Door Geriatric Centre	3,001	2,911
River East Personal Care Home	5,283	5,055
St. Norbert Nursing Home	3,411	3,406
Vista Park Lodge	4,172	3,984
Miscellaneous Funding Adjustments	1,313	938
Total	$ 85,455	$ 81,615
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	$ 3,575	$ 3,446
Extendicare - Hillcrest Place	4,029	3,710
Extendicare - Red River Place	4,413	4,208
St. Adolphe Personal Care Home	1,551	1,422
Tudor House Personal Care Home	3,083	2,943
Miscellaneous Funding Adjustments	1	(219)
Total	$ 16,653	$ 15,510
Residential Care		
St. Amant Centre	$ 22,788	$ 22,522
Total	$ 232,823	$ 225,394

The facility funding reported on this schedule reflects approximately 72% (2007 - 72%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2008 Drug Capitation Fees of $2,140 were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes (2007 - $2,123).

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Aboriginal Health & Wellness Centre	$ 1,115	$ 1,108
Centre de Sante	2,152	1,091
Hope Centre Health Care Incorporated	882	869
Klinic Incorporated	4,550	4,570
Main Street Project Inc.	1,634	1,641
MFL Occupational Health and Safety Inc.	724	736
Mount Carmel Clinic	6,279	6,097
Nine Circles Community Health Centre Inc.	2,452	2,069
Nor'West Co-op Community Health Centre, Inc.	1,177	1,150
Rehabilitation Centre for Children, Inc.	2,575	2,563
Sexuality Education Resource Centre Manitoba, Inc.	834	845
Women's Health Clinic, Inc.	2,769	2,350
Clinique Youville Clinic Inc.	2,312	2,246
Miscellaneous Funding Adjustments	2	1
Total	$ 29,457	$ 27,336

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Adult Day Care Facility Funding
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007 (Restated - Note 20)
Convalescent Home of Winnipeg	$ 37	$ 37
Fred Douglas Lodge	185	183
Golden Links Lodge	53	52
Golden West Lodge	158	155
Holy Family Nursing Home	187	183
Independent Living Resource Centre	104	103
Lions Personal Care Centre	158	156
Lions Place - Charleswood	260	257
Lions Place - Concordia	184	182
Lions Place - 610 Portage	216	213
Luther Home	91	90
Middlechurch Home of Winnipeg	192	189
Extendicare - Oakview Place	140	139
Park Manor Personal Care Home	106	105
Sharon Home	66	65
South YM/YWCA	165	163
Taché Centre	371	365
Miscellaneous Funding Adjustments	1	-
Total	$ 2,674	$ 2,637

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the year ended March 31, 2008
(in thousands of dollars)

	2008	2007
Aboriginal Seniors Resource Centre	$ 165	$ 155
Age & Opportunity Centre Inc.	626	596
ALS House	351	328
Betelstadur Housing Co-op	7	6
Bethania Personal Care Home	17	10
Bethel Place	37	35
Bluebird Service Club	-	15
Bonivital Council for Seniors	38	36
Broadway Seniors Resource Council Inc.	38	36
Canadian Mental Health Association	962	899
Canadian Polish Manor	18	15
Central Speech & Hearing Clinic Inc.	101	101
Charleswood Senior Centre	44	33
Chez Nous Inc.	19	18
City of Winnipeg - Emergency Services	7,600	5,579
Clubhouse of Winnipeg Inc.	357	357
CNIB	12	11
Columbus Manor	19	18
Community Therapy Services	195	183
Creative Retirement Manitoba	44	33
Donwood Manor	49	34
Doray Enterprises	325	312
Fort Garry Services Inc.	37	35
Foyer Vincent Inc.	19	18
Friends Housing Inc.	92	78
Good Neighbours Senior Centre Inc.	64	33
Gwen Secter Creative Living Centre	56	44
Hospice & Palliative Care Manitoba	81	76
Jewish Child and Family	35	33
Jocelyn House	280	238
Kali Shiva	100	-
Keewatin Inkster (formerly Brooklands/Weston Community Resource)	93	70
Kingsford Haus Co-op Ltd.	11	11
La Federation de Franco MB	5	-
L'Accueil Colombien Inc.	18	17
Lindenwoods	95	17
Lions Club	36	34
Manitoba Association of Multipurpose Senior Centres	4	4
Manitoba Cardiac Institute (Reh-fit)	736	682
Manitoba Eastern Star Chalet	11	11
Manitoba Housing Authority	353	307
MacDonald Youth Services	309	294
McClure	11	11
Meals on Wheels of Winnipeg Inc.	155	145
Metropolitan Kiwanis Courts	99	145

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 5 - Grants to Facilities and Agencies (continued)

For the year ended March 31, 2008

(in thousands of dollars)

	2008	2007
Middlechurch Home of Winnipeg	46	43
Seven Oaks (formerly North Winnipeg Community Council)	38	36
Pembina Place (formerly Deaf Centre Manitoba Inc.)	34	34
Rainbow Society	132	-
River East Council for Seniors	61	57
Rose & Max Rady Jewish Community Centre	22	16
Ruperts Land Caregiver Services	50	47
S.S.C.O.P.E. Incorporated	125	93
Salvation Army	270	227
Sara Riel Inc.	840	876
Seniors Home Help Inc.	74	69
Seneca House	377	343
Serena Manitoba Inc.	12	11
Seven Oaks Wellness Centre	587	597
Society for Manitobans with Disabilities	1,423	1,330
South Winnipeg Senior Resource Council Inc.	50	47
St. James/Assiniboia Senior Centre Inc.	88	84
Stay Young Centre	18	16
Transcona Council for Seniors	43	40
University of Manitoba - Medical Info Line for the Elderly	33	31
University of Manitoba - Dental Services	44	41
University of Manitoba	350	-
Villa Cabrini Inc.	37	35
Villa Nova	11	11
Villa Tache	29	27
Willow Centre	11	11
Wolseley Family Centre	95	89
YW/YMCA of Winnipeg	199	167
Miscellaneous Funding Adjustments	2	(4)
Total	$ 18,825	$ 15,487

Deloitte

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada
Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Board of Directors
3885136 Manitoba Association Inc.
(Operating as Calvary Place Personal Care Home)

We have audited the statement of financial position of 3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) as at March 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

Member of
Deloitte Touche Tohmatsu

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Operations
Year Ended March 31, 2008

	2008	2007
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 3,984,859**	$ 3,916,216
Residential charge	**1,622,820**	1,540,273
Amortization of deferred contributions	**232,400**	232,473
Investment income	**59,605**	58,807
Other income	**2,185**	3,824
	5,901,869	5,751,593
EXPENSES		
Salaries	**4,016,787**	3,832,876
Employee benefits	**631,750**	592,706
Payroll tax	**86,226**	78,234
Incontinence supplies	**50,165**	51,453
Medical and surgical supplies	**32,461**	32,628
Operating expenses - Schedule	**456,932**	446,521
Physical plant - Schedule	**307,447**	294,453
Interest on long-term debt	**-**	4,107
Amortization	**284,190**	324,650
Administration - Schedule	**77,917**	82,344
	5,943,875	5,739,972
(DEFICIENCY) EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**$ (42,006)**	$ 11,621

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$ 1,720,845	$ 1,629,443
Accounts receivable	241,112	94,965
G.S.T. recoverable	3,967	5,928
Inventory	15,329	14,012
Prepaid expenses	6,418	4,539
Due from Manitoba Health - vacation pay	228,184	206,790
	2,215,855	1,955,677
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	189,422	167,730
FIXED ASSETS (Note 4)	7,519,247	7,799,932
TRUST AND ACTIVITY FUND ASSETS	86,006	75,104
	$ 10,010,530	$ 9,998,443
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	$ 552,621	$ 523,804
Due to Winnipeg Regional Health Authority	1,402,808	1,202,726
	1,955,429	1,726,530
PRE-RETIREMENT ENTITLEMENTS	189,422	167,730
DEFERRED CONTRIBUTIONS (Note 6)	7,239,530	7,446,930
TRUST AND ACTIVITY FUND LIABILITIES	86,006	75,104
	9,470,387	9,416,294
CONTINGENCY (Note 8)		
NET ASSETS		
Invested in fixed assets (Note 7)	304,717	353,002
Unrestricted	235,426	229,147
	540,143	582,149
	$ 10,010,530	$ 9,998,443

APPROVED BY THE BOARD

..... Director

..... Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Changes in Net Assets
Year Ended March 31, 2008

	Invested in Fixed Assets	Unrestricted	**Total 2008**	Total 2007
Balance, beginning of year	**$ 353,002**	**$ 229,147**	**$ 582,149**	$ 570,528
(Deficiency) excess of income over expenses for the year	**(51,790)**	**9,784**	**(42,006)**	11,621
Investment in fixed assets (Note 7)	**3,505**	**(3,505)**	**-**	-
Balance, end of year	**$ 304,717**	**$ 235,426**	**$ 540,143**	$ 582,149

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
(Deficiency) excess of income over expenses for the year	$ (42,006)	$ 11,621
Items not affecting cash		
Amortization	284,190	324,650
Amortization of deferred contributions	(232,400)	(232,473)
	9,784	103,798
Changes in non-cash operating working capital items		
Accounts receivable	(146,147)	121,367
GST recoverable	1,961	6,365
Inventory	(1,317)	(529)
Prepaid expenses	(1,879)	2,945
Due from Manitoba Health - vacation pay	(21,394)	-
Due from Manitoba Health - pre-retirement entitlements	(21,692)	(33,797)
Accounts payable and accrued liabilities	28,817	67,844
Due to Winnipeg Regional Health Authority	200,082	(171,920)
Pre-retirement entitlements	21,692	33,797
	69,907	129,870
FINANCING ACTIVITIES		
Repayment of long-term debt	-	(145,336)
Deferred contributions received	25,000	69,841
	25,000	(75,495)
INVESTING ACTIVITY		
Fixed asset purchases	(3,505)	(2,033)
NET INCREASE IN CASH POSITION	91,402	52,342
CASH POSITION, BEGINNING OF YEAR	1,629,443	1,577,101
CASH POSITION, END OF YEAR	$ 1,720,845	$ 1,629,443
Interest paid	$ -	$ 4,107

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2008

1. DESCRIPTION OF ORGANIZATION

3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) was incorporated on August 20, 1998 and commenced active operations on January 24, 2000. The Personal Care Home is overseen by a Board of Directors pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes.

The Personal Care Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. CHANGES IN ACCOUNTING POLICIES

Financial instruments

The Organization adopted the following recommendations of CICA Handbook:

a) Section 3855, Financial Instruments – Recognition and Measurement. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments designated as held for trading are carried on the balance sheet at fair value and all periodic changes in fair value are recorded in net income. Financial assets designated as available-for-sale are carried on the balance sheet at fair value and all unrealized periodic changes in fair value are recorded directly in the Statement of Changes in Net Assets and reclassified to net income when realized. Other financial instruments are measured at amortized cost using the effective interest method.

b) Section 3861, Financial instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

c) Section 3251, Equity. This Section establishes standards for the presentation of equity and changes in equity during the reporting period.

The Organization has classified its financial assets and liabilities as described in Note 3 g).

These new standards were applied retroactively as of April 1, 2007 without restatement of the prior year's amounts. The implementation of the change in accounting policy did not materially affect the carrying value of the financial assets and liabilities at April 1, 2007.

2. CHANGES IN ACCOUNTING POLICIES (continued)

Future accounting changes

Financial Instruments

On December 1, 2006, the Canadian Institute of Chartered Accountants issued Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535 Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007, and therefore will be applied by the Organization effective April 1, 2008.

The Organization does not expect that the adoption of these new standards will have a material impact on its financial statements

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies of the Personal Care Home:

a) Revenue recognition

The Personal Care Home follows the deferral method of accounting for contributions which include donations and government grants.

The Personal Care Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related fixed assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fixed assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution.

Fixed assets are amortized on a straight-line basis over the following estimated useful lives:

Building	40 years
Computer equipment and software	5 years
RDF equipment	5 – 7 years
Nursing equipment	7 years
Furniture	15 years
Major equipment	5 – 25 years

c) Retirement entitlement obligation

The Personal Care Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

- Have ten years service and have reached the age of 55, or
- Qualify for the "eighty" rule which is calculated by adding the number of year's service to the age of the employee.

The Personal Care Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. A long term receivable has also been recorded in the same amount at year-end to represent the funding commitment for these retirement entitlements from Manitoba Health.

d) Due from Manitoba Health – vacation pay

Until the fiscal year ended March 31, 2004, funding for vacation entitlements was provided by the Winnipeg Regional Health Authority in the period in which expenditures were made. Accordingly, the cost of the estimated vacation pay at March 31, 2004 was accrued to enable an appropriate matching of expenses with income secured at that date. For the year ended March 31, 2005 and onwards Manitoba Health is no longer funding this liability and the change in the current year liability is recorded as a charge against current year operations. The receivable from Manitoba Health includes only the accrued liability to March 31, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial risk

Financial risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Personal Care Home does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Personal Care Home is exposed to credit risk from its residents. However, at year-end virtually all of the accounts receivable were due from government agencies, which minimizes the credit risk.

Fair value

The fair value of cash, accounts receivable, G.S.T. recoverable, accounts payable and accrued liabilities, and due to Winnipeg Regional Health Authority approximate their carrying value due to their short-term maturity.

The fair value of the current and long term asset future employee benefits recoverable from Manitoba Health and the long term liability pre-retirement entitlements payable could not be determined because there are no specific terms of repayment.

f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and financial liabilities

Financial assets and financial liability are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of such instruments. Settlement date accounting is used.

Classifications

Cash	Held for trading
Accounts receivable	Loans and receivables
GST recoverable	Loans and receivables
Due from Manitoba Health – vacation pay	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to Winnipeg Regional Health Authority	Other liabilities
Pre–retirement entitlements	Other liabilities

Held for trading

Held for trading financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

4. FIXED ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 424,712	$ -	$ 424,712	$ 424,712
Building	8,563,541	1,762,667	6,800,874	7,014,962
Computer equipment and software	94,608	92,198	2,410	18,780
RDF equipment	300,947	300,947	-	7,189
Nursing equipment	89,191	89,191	-	1,671
Furniture	608,868	332,587	276,281	313,261
Major equipment	121,045	106,075	14,970	19,357
	$ 10,202,912	$ 2,683,665	$ 7,519,247	$ 7,799,932

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade	$ 134,971	$ 122,584
Wages and employee benefits payable	136,936	128,370
Accrued vacation pay	280,714	272,850
	$ 552,621	$ 523,804

6. DEFERRED CONTRIBUTIONS

The deferred contributions balance at the beginning of the year related to fixed assets and represents the unamortized amount and unspent amount of funding received for repayment of the principal portion on the long-term debt. These contributions were received from Heritage Benevolent Association Inc. and Manitoba Health. In the current year, contributions were received from Heritage Benevolent Association Inc. to be utilized on future training.

	2008	2007
Balance, beginning of year	$ 7,446,930	$ 7,609,562
Contributions received	25,000	69,841
Amortization	(232,400)	(232,473)
Balance, end of year	$ 7,239,530	$ 7,446,930

7. INVESTED IN FIXED ASSETS

a) Invested in fixed assets is calculated as follows:

	2008	2007
Fixed assets	$ 7,519,247	$ 7,799,932
Deferred contributions – related to fixed assets	(7,214,530)	(7,446,930)
Balance, end of year	$ 304,717	$ 353,002

b) Change in net assets invested in fixed assets is calculated as follows:

	2008	2007
Deficiency of income over expenses		
Amortization of deferred contributions related to fixed assets	$ 232,400	$ 232,473
Amortization of fixed assets	(284,190)	(324,650)
	$ (51,790)	$ (92,177)

	2008	2007
Net change in invested in fixed assets		
Purchase of fixed assets	$ 3,505	$ 2,033
Amounts funded by deferred contributions	-	(69,841)
Repayment of long-term debt	-	145,336
	3,505	77,528
Total change in net assets invested in fixed assets	$ (48,285)	$ (14,649)

8. CONTINGENCY

The Personal Care Home is responsible for any in-globe deficits but may unconditionally retain the greater of 50% of its operating surplus and 2% of the global budget indicated in its funding letter from Winnipeg Regional Health Authority. The actual amount of the settlement is determined after a review of the details by Winnipeg Regional Health Authority and negotiation with the Personal Care Home.

If deficits are incurred, additional funding may be provided by Winnipeg Regional Health Authority for expenses not initially included in the budget.

9. PENSION PLAN

Substantially all employees of the Personal Care Home are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan at July 1, 2005 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $228,012 (2007 - $209,010) and are included in the statement of operations.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedule of Operating, Physical Plant and Administration Expenses
Year Ended March 31, 2008

	2008	2007
OPERATING EXPENSES		
Food	$ 344,642	$ 341,580
Other supplies and expenses	55,496	49,630
Purchased services	56,794	55,311
	$ 456,932	$ 446,521
PHYSICAL PLANT EXPENSES		
Heat, light and power	$ 105,598	$ 104,637
Insurance and property taxes	138,226	131,787
Repairs and maintenance	38,759	37,855
Water	24,864	20,174
	$ 307,447	$ 294,453
ADMINISTRATION EXPENSES		
Membership fees	$ 1,621	$ 2,745
Postage and delivery	1,289	1,605
Printing, stationery and office supplies	12,567	14,281
Professional fees	42,036	44,425
Sundry	2,256	3,597
Telephone and fax	9,653	9,803
Travel and education	8,495	5,888
	$ 77,917	$ 82,344

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais : 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Directors of
BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the statement of financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home's operations as outlined in Note 1 - Entity Definition, as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 30, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Restricted cash and investments (Note 3)	$ 396,246	$ 428,342
Accounts receivable (Note 4)	67,032	69,731
Inventories	84,984	54,343
Prepaid expenses	21,230	31,590
Vacation entitlement receivable (Note 6)	497,632	497,632
	1,067,124	1,081,638
Retirement obligations asset (Note 14)	726,543	735,952
Capital assets (Note 7)	2,159,605	2,233,637
	$ 3,953,272	$ 4,051,227
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 13)	$ 387,402	$ 257,125
Accounts payable (Note 8)	776,407	666,505
Accrued vacation entitlements (Note 6)	412,104	428,840
Due to related parties (Note 5)	52,178	13,219
Current portion of long-term debt (Note 9)	119,945	118,000
	1,748,036	1,483,689
Accrued retirement obligations (Note 14)	554,274	563,683
Long-term debt (Note 9)	-	119,945
Deferred contributions (Note 10)	1,141,549	1,238,157
	3,443,859	3,405,474
Commitments and contingencies (Note 11)		
Net Assets		
Invested in capital assets	1,059,768	886,794
Debenture payment reserve	122,849	127,461
Unrestricted	(673,204)	(368,502)
	509,413	645,753
	$ 3,953,272	$ 4,051,227

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Changes in Net Assets

For the year ended March 31				2008	2007
	Invested in Capital Assets	Debenture Repayment Reserve	Unrestricted	Total	Total
Balance, beginning of year	886,794	127,461	(368,502)	$ 645,753	575,038
Excess (deficiency) of revenue over expenditures for the year	-	-	(131,728)	(131,728)	74,535
Changes in reserve	-	(4,612)		(4,612)	(3,820)
Purchase of capital assets	172,974	-	(172,974)	-	-
Balance, end of year	$ 1,059,768	$ 122,849	$ (673,204)	$ 509,413	$ 645,753

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations - Personal Care Home

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	$ 5,486,699	$ 5,356,662
Residential charges	2,372,591	2,222,739
Other income (Page 21)	96,856	106,031
CMHC subsidy	178,171	178,172
	8,134,317	7,863,604
Expenditures		
Accrued vacation pay reduction	(16,736)	(31,799)
Drugs and medical supplies	141,163	127,591
Employee benefits	856,450	831,409
Food	282,127	263,078
Health and education tax levy	116,866	114,016
Other supplies and expenses	607,741	618,961
Salaries	5,970,317	5,662,705
Utilities and taxes	317,526	291,617
	8,275,454	7,877,578
Deficiency of revenue over expenditures before amortization	(141,137)	(13,974)
Amortization		
Deferred contributions (Note 10)	247,006	244,205
Capital assets	(247,006)	(244,205)
	-	-
Deficiency of revenue over expenditures before other items	(141,137)	(13,974)
Other Items		
CMHC subsidy revision	-	123,487
Long-term debt revision	-	48,614
Accrued pre-retirement leave entitlement (increase) decrease	9,409	(83,592)
	9,409	88,509
Excess (deficiency) of revenue over expenditures for the year	$ (131,728)	$ 74,535

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (131,728)	$ 74,535
Amortization of capital assets	247,006	244,205
Change in pre-retirement entitlement receivable	(9,409)	(83,592)
Change in accrued pre-retirement entitlement	9,409	83,592
Net increase (decrease) in deferred contributions	(96,608)	(189,912)
Changes in reserve	(4,612)	-
	14,058	128,828
Changes in non-cash working capital (Note 12)	146,639	50,182
	160,697	179,010
Cash Flows from Financing Activities		
Repayment of long-term debt	(118,000)	(118,000)
Cash Flows from Investing Activities		
Purchase of capital assets (net of donations)	(172,974)	(92,751)
Net decrease in cash and cash equivalents during the year	(130,277)	(31,741)
Bank indebtedness, beginning of year	(257,125)	(225,384)
Bank indebtedness, end of year	$ (387,402)	$ (257,125)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

March 31, 2008

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

March 31, 2008

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%
Intangible assets	10%
Land improvements	4-6.7%

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the report[illegible] period. Actual results could differ from management's best estimates as additional information becomes available in the future.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

March 31, 2008

Financial Instruments

The Home's financial instruments consist of cash, restricted cash, short-term investments, accounts receivable, accounts payable, long-term debt, accrued vacation and pre-retirement receivables and payables and related party balances. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The Home classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. The Home accounting is as follows:

Held-for-trading

This category is comprised of cash, restricted cash, short-term investments and related party balances. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expenses as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, accrued vacation pay, pre-retirement entitlement and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Restricted Cash

Restricted cash and investment balances represent assets segregated for use for replacement reserves or debenture repayment reserves.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Home is currently assessing the impact of the new standard.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Home does not expect the adoption of these changes to have a material impact on its financial statements.

March 31, 2008

1. Entity Definition

Bethania Mennonite Personal Care Home, Inc. is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Bethania is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Mennonite Memorial Foundation Inc.

These financial statements present the financial position and results of operations of the personal care home operated as Bethania Mennonite Personal Care Home, Inc. As such, the financial statements for the year ended March 31, 2008 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Change in Accounting Policy

On April 1, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Home's statement of financial position and statement of changes in net assets.

3. Restricted Cash and Investments

	2008	2007
Restricted cash	$ 107,502	$ 101,015
Bonds and GIC's	165,185	199,156
Debenture Retirement Fund (see below)	123,559	128,171
	$ 396,246	$ 428,342

The fair value of cash on deposit and the debenture retirement fund is equal to its carrying value. The bonds have an effective interest rate of 4.01 to 5.12% (2007 - 4.00 to 4.5%) with the latest maturing in June 2012. The fair value of the bonds is based on the year end quoted market bid price.

Debenture Retirement Fund

In accordance with the agreement relating to debenture issues, the WRHA retains and holds in trust sufficient funds from amounts otherwise payable by it to the Home to ensure the availability of funds to meet debenture principal and interest payments as they fall due.

4. Accounts Receivable

	2008	2007
Receivable from residents	$ 21,535	$ 7,536
Accrued interest receivable	4,085	4,588
Canada Mortgage and Housing Corporation	15,507	15,507
Other	561	15,856
GST rebate receivable	25,344	26,244
	$ 67,032	$ 69,731

5. Due from (to) Related Parties

	2008	2007
285 Pembina Inc.	$ 392	$ 494
ArlingtonHaus Inc.	392	494
Bethania Housing & Projects Inc.	(82,507)	(21,945)
Bethania Mennonite Memorial Foundation Inc.	17,517	9
BethaniaHaus Inc.	1,962	2,469
Pembina Place Mennonite Personal Care Home, Inc.	10,066	5,138
The Mennonite Benevolent Society	-	122
	$ (52,178)	$ (13,219)

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

6. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 497,632	$ 497,632
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 497,632	$ 497,632

An analysis of the changes in the accrued vacation entitlements is as follows:

Balance, beginning of year	$ 428,840	$ 380,988
Net increase (decrease) in accrued vacation entitlements	(16,736)	47,852
Balance, end of year	$ 412,104	$ 428,840

7. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 1	$ -	$ 1	$ -
Land improvements	340,263	265,586	340,263	250,813
Building	4,841,344	3,109,116	4,804,084	2,964,978
Computer equipment	337,093	294,034	337,093	283,807
Furniture, fixtures and equipment	3,678,469	3,384,555	3,542,756	3,306,688
Intangible assets	10,208	-	10,208	-
Deferred software licenses	5,518	-	5,518	-
	$ 9,212,896	$ 7,053,291	$ 9,039,923	$ 6,806,286
Cost less accumulated amortization		$ 2,159,605		$ 2,233,637

Amortization of capital assets for the year ended March 31, 2008 is $247,006 (2007 - $244,205).

8. Accounts Payable

	2008	2007
Trade accounts payable	$ 152,907	$ 207,206
Accrued liabilities	58,913	59,292
Salaries and employee benefits payable	304,576	194,213
Winnipeg Regional Health Authority	260,011	205,794
	$ 776,407	$ 666,505

9. Long-term Debt

	2008	2007
Debenture payable		
Debenture #2 - bearing interest at 11 1/8%, payable semi-annually with annual principal payments of $118,000, maturing June 1, 2008	$ 119,945	$ 237,945
Current portion of long-term debt	119,945	118,000
	$ -	$ 119,945

10. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2008	2007
Balance, beginning of year	**1,084,316**	1,353,774
Funding for principal repayments on debenture	**69,336**	170,976
Transfer from replacement reserves	**172,973**	92,751
Long-term debt principal reductions	**(23,313)**	(139,580)
Construction loan reduction	**(46,583)**	(149,400)
Amounts amortized to revenue	**(247,006)**	(244,205)
Balance, end of year (carried forward)	**$ 1,009,723**	$ 1,084,316

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	**$ 100,183**	$ 149,550
Contributions - Winnipeg Regional Health Authority	**124,292**	25,725
Interest allocation	**6,811**	8,642
Transfer to deferred contributions - capital asset purchases	**(135,713)**	(83,734)
Balance, end of year (carried forward)	**$ 95,573**	$ 100,183

10. Deferred Contributions (continued)

	2008	2007
Capital assets (brought forward)	**$ 1,009,723**	$ 1,084,316
Unspent equipment funding (brought forward)	**95,573**	100,183

Unspent Major Repairs Funding

Unspent major repairs funding related to equipment repairs represent the unspent amount of funding received for the replacement of equipment. Major repairs funding is not recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	**$ 47,706**	$ 38,991
Contributions - Winnipeg Regional Health Authority	**14,423**	14,423
Interest allocation	**3,944**	3,314
Transfer to deferred contributions - capital asset purchases	**(37,260)**	(9,022)
Balance, end of year	**28,813**	47,706
Insurance Reserve		
Balance, beginning of year	**5,952**	4,464
Contributions - Winnipeg Regional Health Authority	**1,488**	1,488
Balance, end of year	**7,440**	5,952
Total deferred contributions balance	**$ 1,141,549**	$ 1,238,157

The long-term debt that has been incorporated in deferred contributions includes the following:

	2008	2007
Royal Bank revolving loan	**$ -**	$ 46,582
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	**499,445**	522,757
	$ 499,445	$ 569,339

During the current year, the Home settled the Royal Bank revolving loan prior to the debt maturing on July 31, 2008.

11. Commitments and Contingencies

a) Bethania Mennonite Personal Care Home, Inc. has signed a borrowing resolution covering capital expenditures of $2,575,090 for Pembina Place Mennonite Personal Care Home Inc. The borrowing resolution is secured by a letter of comfort from Manitoba Health.

b) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2008, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

c) On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008. The Home is a named insured under the WRHA policy with HIROC.

d) A lawsuit has been filed against the Home for an incident which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

12. Changes in Non-cash Working Capital

	2008	2007
Accounts receivable	$ 2,699	$ 11,447
Restricted cash and investments	32,096	42,068
Inventories	(30,641)	2,264
Prepaid expenses	10,360	(5,586)
Due from (to) related parties	38,959	64,687
Accounts payable and accrued charges	109,902	(112,550)
Accrued vacation payable	(16,736)	47,852
	$ 146,639	$ 50,182

13. Bank Indebtedness

The Home has a line of credit with The Royal Bank to a maximum of $500,000 which carries an interest rate of Royal Bank prime. The line of credit is secured by a general assignment of accounts receivable.

14. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ 652,360	$ 652,360
Winnipeg Regional Health Authority	74,183	83,592
	$ 726,543	$ 735,952

14. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 563,683	$ 480,091
Net increase (decrease) in pre-retirement entitlements	(9,409)	83,592
Balance, end of year	$ 554,274	$ 563,683

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is in in a surplus position. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $300,044 (2007 - $303,995) and are included in the statement of operations.

15. Related Party Transactions

During the year, the Home had the following transactions with related organizations:

Management fee income	$	60,000
Maintenance fee recovery		28,888

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All parties are related by common control.

16. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 3, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information

For the year ended March 31	2008	2007
Other Income		
BethaniaHaus meal recoveries	$ 9,643	$ 11,338
Dietary recoveries	44,603	47,592
Shared service recoveries	41,779	46,396
Investment income	831	657
Other recoveries and miscellaneous	-	48
	$ 96,856	$ 106,031

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Member of Centre Taché Centre

We have audited the statement of financial position of Centre Taché Centre as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 2, 2008

CENTRE TACHÉ CENTRE

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 2,565,410	$ 2,769,411
Accounts receivable	79,485	68,861
Employee benefits recoverable from Winnipeg Regional Health Authority (note 5)	921,099	921,099
Receivable from Winnipeg Regional Health Authority (note 3)	929,005	317,476
Inventory	45,439	49,263
Prepaid expenses	104,664	108,069
	4,645,102	4,234,179
Residents' funds in trust (note 6)	37,036	32,086
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 5)	1,445,767	1,330,672
Capital assets (note 4)	8,750,306	9,200,151
Leasehold estate (note 17)	75,811	79,145
Other assets	1,000	1,000
	$ 14,955,022	$ 14,877,233

	2008	2007
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable	$ 297,268	$ 334,830
Accrued liabilities	1,539,936	1,922,215
Advances from Winnipeg Regional Health Authority (note 9)	602,121	–
Current portion of mortgages payable (note 8)	86,908	79,897
	2,526,233	2,336,942
Residents' funds in trust (note 6)	37,036	32,086
Future employee pre-retirement benefits payable (note 5)	1,826,198	1,711,103
Mortgages payable (note 8)	3,214,249	3,301,159
	5,077,483	5,044,348
	7,603,716	7,381,290
Deferred contributions for (note 10):		
Expenses of future periods	13,654	12,240
Capital assets	5,796,556	6,150,443
	5,810,210	6,162,683
Fund balances:		
Capital fund (note 11)	44,503	49,301
Internally restricted fund (note 12)	1,496,593	1,283,959
	1,541,096	1,333,260
	$ 14,955,022	$ 14,877,233

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Lorette Corriveau

Date le 25 juin 08

On behalf of the Member of the Corporation:

G. Labossière

Date June 25/08

CENTRE TACHÉ CENTRE

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Adult Day Program and Ancillary Operations	Internally Restricted Fund	Capital Fund	2008 Total	2007 Total
Revenue:						
Winnipeg Regional Health Authority	$ 14,605,996	$ –	$ –	$ –	$ 14,605,996	$ 14,123,514
Resident charges	4,398,183	–	–	–	4,398,183	4,171,094
Adult Day Program	–	422,711	–	–	422,771	415,493
	19,004,179	422,771	–	–	19,426,950	18,710,101
Amortization of deferred contributions (note 10)	–	–	–	477,388	477,388	505,567
Offset income:						
Cafeteria	145,433	–	–	–	145,433	145,514
Interest	9,691	–	110,163	–	119,854	111,006
Donations	10,555	–	51,135	–	61,690	78,158
Fundraisers	–	–	5,103	–	5,103	6,377
Parking	64,361	–	–	–	64,361	60,934
Shared services (note 13)	324,182	–	–	–	324,182	269,667
Grants	27,127	–	–	–	27,127	12,418
Recoveries:						
General	277,410	–	–	–	277,410	290,792
Ancillary operations (note 10)	–	12,174	–	–	12,174	31,669
	858,759	12,174	166,401		1,037,334	1,006,535
	19,862,938	434,945	166,401	477,388	20,941,672	20,222,203
Expenses:						
Amortization	–	–	–	482,186	482,186	519,325
Salaries and wages	13,890,498	204,289	–	–	14,094,787	13,269,096
Employee benefits	2,609,119	40,123	–	–	2,649,242	2,470,725
Other supplies and expenses	403,808	16,816	5,534	–	426,158	498,804
Medical and surgical supplies	320,004	–	–	–	320,004	314,902
Drugs	3,050	–	–	–	3,050	2,139
Food costs	618,534	30,300	–	–	648,834	642,036
Utilities	604,625	–	–	–	604,625	571,703
Telephone and sundry	138,298	–	–	–	138,298	119,221
Travel	67,648	118,323	–	–	185,971	186,266
Professional and other fees	98,568	–	–	–	98,568	107,135
Advertising and public relations	6,084	–	–	–	6,084	14,682
Insurance	36,348	–	–	–	36,348	35,226
Equipment	316,237	–	–	–	316,237	360,339
Buildings and grounds	427,679	–	26,154	–	453,833	474,450
Interest	257,437	–	–	–	257,437	402,077
Ancillary operations	–	12,174	–	–	12,174	31,669
	19,797,937	422,025	31,688	482,186	20,733,836	20,019,795
Excess (deficiency) of revenue over expenses before the undernoted	65,001	12,920	134,713	(4,798)	207,836	202,408
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	–	40,001
Winnipeg Regional Health Authority future employee benefits recoverable (note 5)	115,095	–	–	–	115,095	352,778
Future employee pre-retirement benefits obligation (note 5)	(115,095)	–	–	–	(115,095)	(126,280)
Excess (deficiency) of revenue over expenses	65,001	12,920	134,713	(4,798)	207,836	468,907
Fund balances, beginning of year	–	–	1,283,959	49,301	1,333,260	864,353
Transfer of Adult Day Program surplus	–	(12,920)	12,920	–	–	–
Transfer of operating surplus	(65,001)	–	65,001	–	–	–
Fund balances, end of year	$ –	$ –	$ 1,496,593	$ 44,503	$ 1,541,096	$ 1,333,260

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 207,836	$ 428,906
Winnipeg Regional Health Authority prior year adjustment	–	40,001
Adjustments for:		
Amortization of capital assets	482,186	519,325
Amortization of deferred contributions related to capital assets	(477,388)	(505,567)
Change in non-cash operating working capital:		
Accounts receivable	(10,624)	7,497
Receivable from Winnipeg Regional Health Authority	(611,529)	(168,629)
Inventory	3,824	(2,481)
Prepaid expenses	3,405	13,973
Future employee pre-retirement benefits recoverable	(115,095)	(126,280)
Accounts payable	(37,562)	107,838
Accrued liabilities	(382,279)	239,811
Advances from Winnipeg Regional Health Authority	602,121	–
Future employee pre-retirement benefits payable	115,095	126,280
Deferred contributions received related to future periods	13,588	15,061
Deferred contributions recognized as revenue in the year	(12,174)	(31,669)
	(218,596)	664,066
Investing:		
Increase in deferred contributions related to capital assets	123,501	2,976,883
Additions to capital assets	(29,007)	(107,960)
	94,494	2,868,923
Financing:		
Repayments on bank loans	–	(2,828,586)
Repayment on mortgages	(79,899)	(73,460)
	(79,899)	(2,902,046)
Increase (decrease) in cash	(204,001)	630,943
Cash, beginning of year	2,769,411	2,138,468
Cash, end of year	$ 2,565,410	$ 2,769,411

See accompanying notes to financial statements.

CENTRE TACHÉ CENTRE

Notes to Financial Statements

Year ended March 31, 2008

General:

Centre Taché Centre (the Corporation) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operates under the name Centre Taché Centre. The Corporation functions as a bilingual, long-term care facility dedicated to the elderly, chronically ill and disabled. The Centre also provides a respite program, as part of the operating fund, and a day centre program.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is recognized on an accrual basis and is allocated to the Internally Restricted Fund.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. **Significant accounting policies (continued):**

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Land improvements	5%
Buildings	2%
Equipment and building service equipment and software licences and fees	6 1/4% to 20%

(d) Leasehold estate:

The value assigned to the leasehold estate is being amortized against the deferred contribution to which it relates on a straight-line basis over the 60 year period of the lease.

(e) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's day centre program and ancillary activities are recorded in the Adult Day Program and Ancillary Operations Funds.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Operating Fund.

(f) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(g) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 5.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age-related merit/promotion scale with no provision for disability.

(h) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the Act.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Changes in accounting policy:

The Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

Upon adoption of this new standard, the Corporation designated cash as held-for-trading, accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; other assets as available-for-sale, and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and mortgages payable as other liabilities. The Corporation does not have held-to-maturity financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transition adjustment for the Corporation's held-for-trading or available-for-sale financial instruments as their carrying amounts approximate fair value. There was no transition adjustment for the Corporation's other financial instruments as their carrying amounts approximate amortized cost.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

3. Receivable from (payable to) Winnipeg Regional Health Authority:

	2008	2007
Receivable:		
Prior years	$ 302,236	$ 57,866
Resident charges	–	23,632
Employee retirement benefits	93,042	37,820
Salaries and benefits	604,191	186,398
Other	23,907	6,279
	1,023,376	311,995
Payable:		
Prior years	217,537	217,537
Resident charges	100,839	–
Capital interest	563	2,881
Other	1,930	599
	320,869	221,017
	702,507	90,978
Current future employee pre-retirement benefits recoverable (note 5)	226,498	226,498
Net receivable	$ 929,005	$ 317,476

Over/under funding occurs when non-global items (including resident charges revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

4. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Land improvements	$ 454,843	$ 276,459	$ 178,384	$ 217,885
Buildings	13,897,065	6,036,333	7,860,732	8,183,804
Building service equipment	743,318	424,360	318,958	351,254
Equipment	2,786,655	2,399,779	386,876	447,208
Software licenses and fees	198,222	192,866	5,356	–
	$ 18,080,103	$ 9,329,797	$ 8,750,306	$ 9,200,151

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Employee benefits:

(i) The Corporation maintains an employee pre-retirement benefit plan for substantially al of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,826,198 (2007 - $1,711,103) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $115,095 (2007 - $126,280) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $226,498. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $1,445,767 (2007 - $1,330,672) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $51,770 (2007 - $13,636) was paid from funding received for operations.

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2008 is $1,020,565 (2007 - $979,373).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $921,099 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

7. Bank indebtedness:

At March 31, 2008, the Corporation had a $300,000 authorized line of credit available with no outstanding borrowings.

8. Mortgages payable:

	2008	2007
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	$ 1,575,221	$ 1,628,299
First mortgage on 1978 construction, repayable in monthly blended payments of $13,375, due February 1, 2028. The stated interest rate is 10%. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,725,936	1,752,757
	3,301,157	3,381,056
Current portion	86,908	79,897
	$ 3,214,249	$ 3,301,159

Both mortgages are payable to the Canada Mortgage and Housing Corporation.

Principal repayments required over the next five years and thereafter are as follows:

2009	$ 86,908
2010	94,544
2011	102,859
2012	111,917
2013	121,784
Thereafter	2,783,145
	$ 3,301,157

9. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $186,398 and $415,723 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for resident programs.

	2008	2007
Balance, beginning of year	$ 12,240	$ 28,848
Add amount received related to future periods	13,588	15,061
Less amount recognized as revenue in the year	(12,174)	(31,669)
	$ 13,654	$ 12,240

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 6,150,443	$ 3,679,127
Additional contributions received	123,501	2,976,883
Less amounts amortized to revenue	(477,388)	(505,567)
	$ 5,796,556	$ 6,150,443

The balance of unamortized capital contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital contributions used to purchase assets	$ 5,480,458	$ 5,848,939
Unspent contributions:		
Equipment reserve	188,419	155,782
Major repairs	114,107	126,495
Donations	13,572	19,227
	$ 5,796,556	$ 6,150,443

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

11. Capital fund:

	2008	2007
Capital assets	$ 8,750,306	$ 9,200,151
Leasehold estate	75,811	79,145
	8,826,117	9,279,296
Amount financed by:		
Deferred contributions	(5,480,458)	(5,848,939)
Mortgages	(3,301,157)	(3,381,056)
	$ 44,503	$ 49,301

12. Internally restricted fund:

	2008	2007
To be expended only with the approval of the Member of the Corporation	$ 1,209,988	$ 1,025,273
Other internal projects	286,605	258,686
	$ 1,496,593	$ 1,283,959

13. Related party transactions:

Foundation:

An amount of $50,000 (2007 - $60,000) was funded by Les Amis de Taché Friends Incorporated, a corporation with the same Member of the Corporation.

Shared and contributed services:

The Corporation and Foyer Valade Inc., a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Foyer Valade Inc. in the amount $287,382 (2007 - $234,910) which is included in shared services revenue. The Corporation purchased services from Foyer Valade Inc. in the amount of $213,540 (2007 - $164,534) which is included in salaries and wages.

In addition to these shared services, the Corporation contributed services to Foyer Valade Inc. in the amount of $22,920 (2007 - $20,590) free of charge.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

14. Employee pension plan:

Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Corporation contributed $767,322 (2007 - $710,460) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates increased to 6.8 percent and 8.4 percent, respectively.

15. Ladies Auxiliary - Taché Centre:

The Ladies Auxiliary - Taché Centre operates the gift shop at the Centre. The funds raised are used to enhance the residents' environment. The fund balance at March 31, 2008 is $44,120 (2007 - $35,682) and this amount is not included in the Corporation's financial statements.

16. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, accounts payable, employee benefits recoverable from Winnipeg Regional Health Authority, accrued liabilities and advances from Winnipeg Regional Health Authority approximate their carrying value due to their immediate or short-term nature.

The fair value of the mortgages payable is not practical to determine due to the underlying terms and conditions.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates. The fair value of other assets, representing shares of a private entity, is not readily determinable because these shares are neither liquid nor are they traded in an active market.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

17. Leasehold estate:

The original Centre is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The 60 year lease expires December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor.

The 1971 estimated fair market value of the economic rent of the leasehold estate was $16,500 per annum, based on an appraisal made by E. Karl Farstad & Associates Ltd. as of January 17, 1972. The discounted present value of such rental over the 60 year period is estimated to be $200,000 using an interest factor of 8 ¼ percent per annum. The $200,000 discounted present value of the lease was recorded in the accounts at December 31, 1971 as an asset with an offsetting credit to deferred contributions to recognize the value of the donation of the leasehold estate made by Taché Hospital for Chronic and Geriatric Patients.

The addition to the original Centre is situated on two properties leased from Despins Charities Inc. and the Catholic Health Corporation of Manitoba (CHCM), the Member of the Corporation, at a rental of $2 per annum. The leases expire December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of these additional leases is reflected in the financial statements.

The Centre also leases additional property from Despins Charities Inc. at a rental of $1 per annum. No economic value of this additional lease is reflected in the financial statements.

18. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2008

18. Future accounting changes (continued):

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CENTRE TACHÉ CENTRE

Schedule - Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Amortization	$ 482,186	$ 519,325
Salaries and wages:		
Resident services:		
Nursing administration	$ 467,532	$ 385,426
Registered nurses	1,739,675	1,807,643
Licensed practical nurses	1,135,918	980,376
Resident assistants	4,953,953	4,278,188
Purchased services	847,729	1,109,305
	9,144,807	8,560,938
Activity	300,959	298,233
Day Program	184,350	185,748
Dietary	1,484,350	1,422,534
General administration	897,596	876,516
Housekeeping	601,700	576,805
Laundry/linen	187,786	158,833
Medical administration fees	26,000	26,000
Occupational health	49,914	40,070
Occupational therapy/rehabilitation	225,227	199,550
Pastoral care	114,122	120,555
Physiotherapy	113,625	89,407
Plant maintenance	386,575	360,212
Social work	174,323	147,816
Special care outreach team	–	20,701
Staff development	172,147	167,762
Volunteer coordinator	31,306	17,416
	4,949,980	4,708,158
	$ 14,094,787	$ 13,269,096
Employee benefits:		
Canada pension plan	$ 508,503	$ 469,773
Employment insurance	274,461	263,866
Healthcare employees pension plan	767,322	710,460
Other employee benefits	359,362	331,213
Employee retirement benefits	144,813	51,456
Workers' compensation	319,563	378,831
	2,374,024	2,205,599
Health and education tax	275,218	265,126
	$ 2,649,242	$ 2,470,725

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Other supplies and expenses:		
Printing, stationery and office	$ 37,380	$ 36,339
Photocopying	2,969	3,203
Housekeeping and cleaning	26,851	38,879
Paper and disposable	52,571	38,936
Laundry and linen	9,657	9,094
Staff wearing apparel	11,264	6,672
Dietary and cleaning	22,395	21,630
Purchased services - laundry	211,177	224,581
Other supplies and expenses	51,894	119,470
	$ 426,158	$ 498,804
Medical and surgical supplies:		
General	$ 132,757	$ 126,668
Gastrostomy	14,575	11,299
Other	5,840	8,750
Incontinence aids	166,832	168,185
	$ 320,004	$ 314,902
Drugs:		
Oxygen and other	$ 3,050	$ 2,139
Food costs	$ 648,834	$ 642,036
Utilities:		
Fuel	$ 349,056	$ 331,003
Water	120,414	107,654
Hydro	135,155	133,046
	$ 604,625	$ 571,703
Telephone and sundry:		
Telephone	$ 64,952	$ 61,274
General expenses	52,428	23,679
Staff training	12,563	12,107
Postage	8,355	11,130
Other	–	11,031
	$ 138,298	$ 119,221

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Travel:		
Resident travel	$ 118,436	$ 116,958
Resident transportation	63,047	65,675
Staff	4,164	3,633
Board of Directors	324	–
	$ 185,971	$ 186,266
Professional and other fees:		
Service bureau fees	$ 28,407	$ 26,817
Audit fees	26,692	23,970
Legal fees	8,681	4,945
Association membership fees	17,637	16,279
Other	17,151	35,124
	$ 98,568	$ 107,135
Advertising and public relations:		
Advertising	$ 6,084	$ 14,682
Insurance	$ 36,348	$ 35,226
Equipment:		
Service contracts	$ 37,879	$ 25,551
Software contracts	58,621	65,622
Equipment maintenance	171,470	127,047
Minor purchases	48,267	142,119
	$ 316,237	$ 360,339
Buildings and grounds:		
Building repairs	$ 189,902	$ 164,973
Property taxes	257,906	303,010
Other	6,025	6,467
	$ 453,833	$ 474,450
Interest:		
Mortgage	$ 257,437	$ 263,922
Bank	–	138,155
	$ 257,437	$ 402,077
Ancillary operations	$ 12,174	$ 31,669
Total expenses	$ 20,733,836	$ 20,019,795

CENTRE TACHÉ CENTRE

Schedule of Operations - Adult Day Program

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Winnipeg Regional Health Authority	$ 371,192	$ 365,136
Day Program participants	51,279	50,157
Other	300	200
	422,771	415,493
Expenses:		
Salaries and wages	204,289	185,748
Employee benefits	35,860	34,366
Health and education tax	4,263	4,030
Other supplies and expenses	16,816	16,610
Food costs	30,300	30,448
Participant transportation	118,323	114,138
	409,851	385,340
Excess of revenue over expenses	12,920	30,153
Transfer to internally restricted fund	$ 12,920	$ 30,153

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the statement of financial position of Clinique Youville Clinic Inc. as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 4, 2008

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 727,631	$ 713,799
Accounts receivable	38,189	41,197
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4(a))	125,848	–
Receivable from Winnipeg Regional Health Authority	57,573	37,335
Prepaid expenses	27,795	22,774
	977,036	815,105
Capital assets (note 3)	45,993	56,616
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4(b))	87,014	94,017
	$ 1,110,043	$ 965,738
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 202,494	$ 234,205
Future employee pre-retirement benefits payable (note 4)	125,155	132,158
Deferred contributions for (note 5):		
Future expense	278,328	264,448
Capital assets	34,661	47,173
	312,989	311,621
Fund balances:		
Capital fund	11,332	9,443
Restricted (note 6)	302,866	245,710
Unrestricted	155,207	32,601
	469,405	287,754
Commitments (note 9)		
	$ 1,110,043	$ 965,738

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date June 25/08

Approved on behalf of the Member of the Corporation:

Date June 25/08

	Total Unrestricted Fund	Restricted	Capital Fund	2008 Total	2007 Total
	$ 2,321,730	$ –	$ –	$ 2,321,730	$ 2,209,609
	66,060	–	–	66,060	39,216
	17,085	–	–	17,085	16,097
	–	–	12,512	12,512	16,957
	–	–	–	–	33,562
	57,745	–	–	57,745	65,750
	2,425	–	–	2,425	–
	–	27,779	–	27,779	32,179
	12,241	–	–	12,241	–
	3,961	–	–	3,961	642
	41,269	–	–	41,269	40,759
	4,784	–	–	4,784	–
	357	–	–	357	4,016
	590	–	–	590	650
	3,050	–	–	3,050	–
	2,075	–	–	2,075	–
	291	–	–	291	–
	18,794	–	–	18,794	16,995
	2,552,457	27,779	12,512	2,592,748	2,476,432
	–	–	15,551	15,551	18,452
	2,009,824	–	–	2,009,824	1,944,029
	286,555	–	–	286,555	274,833
	71,620	–	–	71,620	61,952
	146,150	–	–	146,150	121,033
	7,245	–	–	7,245	5,892
	2,521,394	–	15,551	2,536,945	2,426,191
	31,063	27,779	(3,039)	55,803	50,241
	(7,003)	–	–	(7,003)	31,568
	125,848	–	–	125,848	–
	7,003	–	–	7,003	(8,860)
	156,911	27,779	(3,039)	181,651	72,949
	32,601	245,710	9,443	287,754	214,805
	(4,928)	–	4,928	–	–
	(29,377)	29,377	–	–	–
	$ 155,207	$ 302,866	$ 11,332	$ 469,405	$ 287,754

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess of revenue over expense	$ 181,651	$ 72,949
Add (deduct):		
Amortization of capital assets	15,551	18,452
Amortization of deferred contributions related to capital assets	(12,512)	(16,957)
Change in non-cash working capital balances:		
Accounts receivable	3,008	(11,831)
Employee benefits recoverable from Winnipeg Regional Health Authority	(125,848)	–
Receivable from Winnipeg Regional Health Authority	(20,238)	(21,772)
Prepaid expenses	(5,021)	3,402
Future employee pre-retirement benefits recoverable	7,003	(8,860)
Accounts payable and accrued liabilities	(31,711)	(34,812)
Future employee pre-retirement benefits payable	(7,003)	8,860
Deferred contributions received related to future expense	82,089	154,066
Deferred contributions recognized as revenue in the year	(68,209)	(40,635)
	18,760	122,862
Investing activities:		
Deferred contributions received related to capital assets	–	15,752
Additions to capital assets	(4,928)	(15,752)
	(4,928)	–
Increase in cash	13,832	122,862
Cash, beginning of year	713,799	590,937
Cash, end of year	$ 727,631	$ 713,799

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2008

General:

The corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.

- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.

- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women's health services; as well as a community health information line.

1. Significant accounting policies:

(a) Revenue recognition:

The corporation follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Volunteers are an integral part of carrying out the activities of the corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

The corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The corporation's Service Purchase Agreement with the WRHA expires March 31, 2009.

In accordance with the terms and conditions of the Service Purchase Agreement between the corporation and the WRHA, annual operating deficits are the responsibility of the corporation. The corporation may retain the greater of 50 percent of the annual operating surplus and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

Assets, liabilities, revenues and expenses related to the corporation's capital assets are recorded in the Capital Fund.

The Restricted fund represents funds received through donations and interest income. All expenditures from this fund requires the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund.

(d) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) Future employee benefits:

The cost of the corporation's employee retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(f) Employee benefits

The cost of the corporation's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. The Winnipeg Regional Health Authority (WRHA) provides funding for vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

(g) Income taxes:

The corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Changes in accounting policy:

The corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Changes in accounting policy (continued):

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

Upon adoption of this new standard, the corporation designated cash as held-for-trading; accounts receivable, receivable from WRHA, employee benefits recoverable from WRHA and future employee pre-retirement benefits recoverable from WRHA as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The corporation does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 for the corporation's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment at April 1, 2007 for the corporation's other financial instruments as their carrying amounts approximate amortized cost.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

3. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Furniture and fixtures	$ 102,718	$ 82,821	$ 19,897	$ 19,336
Computer equipment	230,628	204,532	26,096	37,280
Leasehold improvements	220,072	220,072	–	–
	$ 553,418	$ 507,425	$ 45,993	$ 56,616

4. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2008, accounts payable and accrued liabilities includes employee benefits payable of $139,947.

During fiscal 2008, the WRHA confirmed that it will fund a portion of these employee benefits, which is limited to the amount estimated at March 31, 2004. Accordingly, the corporation has recorded a recoverable and corresponding revenue in fiscal 2008 in the amount of $125,848, representing amounts due from WRHA, which reflects the estimated liability for accumulated employee benefits at that date. Each year thereafter, the corporation is expected to fund the change in the liability from annual funding provided by the WRHA.

(b) Future employee pre-retirement benefits:

The corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $125,155 (2007 - $132,158) for which the corporation has recorded a future employee pre-retirement benefits payable on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004 and was recorded as a long-term receivable on the statement of financial position.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

4. Employee benefit plans (continued):

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. The net decrease recorded in fiscal 2008 was $7,003 (2007 – increase of $8,860) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee per-retirement benefits liability for fiscal 2005 and 2006 of $22,708. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $87,014 (2007 - $94,017) and has no specified terms of repayment.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by the WRHA for 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The funding shortfall is considered to be funded as part of the annual operating grant from the WRHA.

5. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2008	2007
Balance, beginning of year	$ 264,448	$ 151,017
Add amount received related to future periods	82,089	154,066
Less amount recognized as revenue in the year	(68,209)	(40,635)
	$ 278,328	$ 264,448

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Deferred contributions (continued):

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 47,173	$ 48,378
Additional contributions received	–	15,752
Less amounts amortized to revenue	(12,512)	(16,957)
	$ 34,661	$ 47,173

6. Restricted funds:

Funds designated as restricted require the approval of the Board of Directors before disbursement. Ancillary program surplus is transferred to restricted funds once the programs are completed.

7. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan (the Plan). As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. The corporation's liability under the Plan is limited to the contributions required during the year.

During the year, the corporation contributed $99,151 (2007 - $89,529) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 reported that the plan was fully funded. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

8. Other information:

The Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,489,026 to the Clinique Youville Clinic Inc., from its incorporation to March 31, 2008. There have been no contributions by these organizations since 1996 and 2001, respectively.

9. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through January 2011 and August 2013 respectively, as per the following schedule:

2009	$ 162,014
2010	171,732
2011	165,912
2012	90,912
2013	90,912
Thereafter	37,880

10. Fair value:

The fair value of cash, accounts receivable, receivable from WRHA and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component (note 4) is comparable to current market rates.

11. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

11. Future accounting changes (continued):

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais : 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
DONWOOD MANOR PERSONAL CARE HOME INC.

We have audited the statement of financial position of **DONWOOD MANOR PERSONAL CARE HOME INC.** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget figures presented have not been audited, and are presented for informational purposes only.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2008

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash (Note 7)	$ -	$ 243,578
Accounts receivable (Note 3)	15,562	12,501
Due from WRHA (Note 8)	333,755	-
Prepaid expenses	22,351	24,350
Inventories	22,435	23,575
Due from related parties (Note 4)	50,979	32,801
Vacation entitlements receivable (Note 5)	273,191	273,191
	718,273	609,996
Retirement obligations receivable (Note 13)	465,893	417,348
Restricted Cash and Deposits		
Expenses of future periods	66,083	77,974
Capital assets (Note 6)	6,540,605	6,738,876
	$ 7,790,854	$ 7,844,194
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 7)	$ 79,604	$ -
Accounts payable and accruals	187,931	434,197
Advance from WRHA	333,646	-
Due to WRHA (Note 8)	-	183,386
Mortgage amortization grant received in advance	4,274	4,274
Accrued vacation entitlements (Note 5)	313,632	305,480
	919,087	927,337
Accrued retirement obligations (Note 13)	465,561	417,016
Deferred Contributions (Note 9)		
Expenses of future periods	69,106	74,844
Capital assets	6,443,700	6,641,971
	6,512,806	6,716,815
Commitments and contingencies (Note 11)		
Net assets (Page 5)	(106,600)	(216,974)
	$ 7,790,854	$ 7,844,194

Approved on behalf of the Governing Board

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31		2008	
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority (Note 12)	$ 4,526,691	$ 4,638,678	$ 4,346,571
Private charges	1,737,216	1,770,076	1,662,704
Amortization of deferred contributions related to capital assets (Note 9)	-	260,730	311,827
Recoveries	126,886	133,568	132,344
Interest income	10,000	9,911	12,540
	6,400,793	6,812,963	6,465,986
Expenditures			
Operating (Page 21)	6,373,254	6,523,230	6,098,255
Interest on long-term debt	27,484	-	-
Amortization of capital assets	-	260,730	311,827
	6,400,738	6,783,960	6,410,082
Excess of revenue over expenditures before other items	55	29,003	55,904
Other Items			
Change in accrued retirement obligations			
WRHA funding accrued	-	(48,545)	(44,611)
Liability for the year	-	48,545	44,611
WHRA settlement of prior year funding adjustment (Note 8)			
2000/2001 through 2003/2004	-	81,371	-
	-	81,371	-
Excess of revenue over expenditures for year (Page 5)	$ 55	$ 110,374	$ 55,904

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Changes in Net Assets

For the year ended March 31			2008	2007
	Investment in Capital Assets (Note 10)	Unrestricted	Total	Total
Balance, beginning of year	$ 96,905	$ (313,879)	$ (216,974)	$ (272,878)
Excess of revenue over expenditures for year (Page 4)	-	110,374	110,374	55,904
Balance, end of year (Page 3)	$ 96,905	$ (203,505)	$ (106,600)	$ (216,974)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for year	$ 110,374	$ 55,904
Amortization of capital assets	260,730	311,827
Amortization of deferred contributions related to capital assets	(260,730)	(311,827)
	110,374	55,904
Changes in non-cash working capital		
Accounts receivable	(3,061)	34,113
Prepaid expenses	1,999	(7,103)
Inventories	1,140	(2,908)
Due from related entities	(18,178)	(15,527)
Accounts payable and accrued liabilities	(246,266)	168,334
Advance from WRHA	333,646	-
Due to WRHA	(517,141)	(79,978)
Accrued vacation entitlements	8,152	10,669
	(439,709)	107,600
Retirement obligations receivable	(48,545)	(44,611)
Accrued retirement obligations	48,545	44,611
	-	-
	(329,335)	163,504
Cash Flows from Financing Activities		
WRHA funding - capital	62,459	55,410
Increase (decrease) in deferred contributions related to expenses of future periods	(5,738)	95
	56,721	55,505
Cash Flows from Investing Activities		
Purchase of capital assets	(62,459)	(55,410)
Increase in restricted cash and deposits	11,891	14,238
	(50,568)	(41,172)
Net increase (decrease) in cash and cash equivalents	(323,182)	177,837
Cash and cash equivalents, beginning of year	243,578	65,741
Cash and cash equivalents, end of year	$ (79,604)	$ 243,578
Supplementary Information		
Interest received	$ 9,911	$ 12,469

DONWOOD MANOR PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2008

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for the not-for-profit organizations.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with WRHA with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue Recognition (cont'd)

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2004-05 and 2005-06 fiscal years, out-of-globe funding for these costs is not provided by Manitoba Health/WRHA.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following rates:

Buildings	- 40 years
Furniture and equipment	- 10 years

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Home's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and deposits and bank indebtedness. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from the WRHA and related parties, vacation entitlements receivable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals and advance from WRHA. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

March 31, 2008

1. Entity Definition

Donwood Manor Personal Care Home Inc. changed its name effective June 3, 1997. Previously it was known as the Mennonite Brethren Geriatric Association of Metro Winnipeg Inc., which was incorporated on February 13, 1969. The entity continues to provide residential care and has retained its registration as a charitable organization.

Effective April 1, 1999, government funding is primarily provided by the Winnipeg Regional Health Authority through a service purchase agreement. The Winnipeg Regional Health Authority is responsible for the overall planning and integration of services to the region and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

Donwood Manor Personal Care Home Inc. is a member of the Donwood Group of companies which operate under the control of a common Board of Directors and provide long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is The Donwood Foundation Inc. by virtue of overlapping board membership and management.

Consolidated financial statements for the Group have been compiled, however separate financial statements are presented for each entity to facilitate reporting to the funders and other users of each entity.

2. Changes in Accounting Policies

On April 01, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the organization's consolidated statement of operations.

3. Accounts Receivable

	2008	2007
Receivable from residents	$ 7,360	$ 76
LTCAM members	-	3,193
Goods and Services Tax	8,202	9,232
	$ 15,562	$ 12,501

4. Related Party Transactions

	2008	2007
Donwood Manor EPH Inc.	$ 7,137	$ 2,651
Donwood South Inc.	830	1,145
Donwood Manor Foundation Inc.	41,871	28,140
Winnipeg Condominium Corporation No. 297	1,141	865
	$ 50,979	$ 32,801

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment. Administrative salaries are charged to Winnipeg Condominium Corporation No. 297 in the amount of $5,547 (2006 - $5,547). These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

5. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 273,191	$ 273,191
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 273,191	$ 273,191

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	$ 305,480	$ 294,811
Net increase (decrease) in accrued vacation entitlements	8,152	10,669
Balance, end of year	$ 313,632	$ 305,480

6. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 15,000	$ -	$ 15,000	$ -
Buildings	9,476,211	3,155,828	9,476,211	2,920,412
Furniture and equipment	1,108,958	903,736	1,046,498	878,421
	$ 10,600,169	$ 4,059,564	$ 10,537,709	$ 3,798,833
Cost less accumulated amortization		$ 6,540,605		$ 6,738,876

7. Bank Indebtedness

The Home has an approved line of credit of $500,000 with the Royal Bank of Canada. This line of credit is secured by a general assignment of book debts and bears interest at prime.

8. Due to (from) WRHA

	2008	2007
2000/2001 funding adjustment	$ -	$ 151,404
2001/2002 funding adjustment	-	27,276
2002/2003 funding adjustment	-	(59,071)
2003/2004 funding adjustment	-	80,066
2004/2005 funding adjustment	84,460	84,460
2005/2006 funding adjustment	(3,646)	(3,646)
2006/2007 funding adjustment	(77,152)	(97,103)
2007/2008 funding adjustment	(337,417)	-
	$ (333,755)	$ 183,386

The reviews of the 2000/2001, 2001/2002, 2002/2003, 2003/2004 have been completed and settled. The reviews of the 2004/2005, 2005/2006 and 2006/2007 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

9. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs, equipment replacement and insurance deductibles.

	2008	2007
Balance, beginning of year	$ 74,844	$ 74,749
Add amount received during the year	26,311	26,311
Less 2007/2008 expenditures	(32,049)	(26,216)
Balance, end of year	$ 69,106	$ 74,844

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2008	2007
Balance, beginning of year	$ 6,641,971	$ 6,898,388
Additional contributions received		
WRHA	62,459	55,410
Less amounts amortized to revenue	(260,730)	(311,827)
Balance, end of year	$ 6,443,700	$ 6,641,971

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 6,540,605	$ 6,738,876
Amounts financed by		
Deferred contributions	(6,443,700)	(6,641,971)
	$ 96,905	$ 96,905

B. Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 260,730	$ 311,827
Amortization of capital assets	(260,730)	(311,827)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 62,459	$ 55,410
Amounts funded by		
WRHA capital asset funding	(62,459)	(55,410)
	$ -	$ -

11. Commitments and Contingencies

a) The nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2008 management believes the Home has valid defences and appropriate insurance coverage in place or has made sufficient provision for any uninsured payments to be made. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

The Home is a named insured under the WRHA policy with HIROC.

12. Revenue from the WRHA

Revenue as per WRHA final fundingdocument (adjusted)	**$ 4,273,795**
Add:	
MNU related contract	40,910
Median funding adjustment	102,680
Pneumo vaccine	330
Louis Riel Day	13,549
Staff increase	7,126
Residential charges leap year	5,026
Repairs	24,884
Out of Globe	
Pre-retirement	50,971
Beds	13,944
One on one care	33,104
Wage standardization	110,340
	402,864
Deduct	
Residential charges overpayment 2007/08	(32,860)
Insurance deductible	(1,500)
Reserve major repairs	(3,621)
	(37,981)
Revenue from WRHA	**$ 4,638,678**

13. Employee Future Benefits

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ 372,737	$ 372,737
Winnipeg Regional Health Authority	93,156	44,611
	$ 465,893	$ 417,348

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 417,016	$ 372,405
Net increase (decrease) in pre-retirement entitlements	48,545	44,611
Balance, end of year	$ 465,561	$ 417,016

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006 indicates the plan is fully funded. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $288,877 (2007 - $260,794) and are included in the statement of operations.

14. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007 and March 31, 2008, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA. For the fiscal year ending March 31, 2008, the unfunded portion of future employee benefits amounts to $24,461.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Donwood Manor PCH).

DONWOOD MANOR PERSONAL CARE HOME INC.
Schedule of Supplementary Information

For the year ended March 31		2008	2007
	Budget	**Actual**	Actual
Operating Costs			
Salaries			
Nursing services	**$ 2,984,060**	**$ 3,038,536**	$ 2,857,590
Special services	**237,500**	**232,747**	223,294
General services	**1,210,000**	**1,197,117**	1,168,172
Medical and surgical supplies and drugs	**101,500**	**93,401**	100,535
Special service - recreation therapy	**8,200**	**7,637**	7,683
Employee benefits			
Canada pension plan	**190,000**	**187,026**	169,276
Employee insurance	**95,000**	**96,228**	92,877
Pension	**290,000**	**288,877**	260,794
Payroll tax	**96,000**	**99,204**	92,447
Workers compensation	**55,000**	**57,259**	56,564
Dental	**25,000**	**22,555**	22,847
Group life	**9,000**	**8,340**	7,953
Pre-retirement leave	**10,000**	**75,432**	2,711
Disability and Rehabilitation	**80,000**	**79,513**	70,863
Bonding and liability insurance	**2,000**	**3,167**	2,873
Membership fees			
Association and group purchasing fees	**5,600**	**3,371**	3,241
Advertising	**5,000**	**7,469**	5,708
Office			
Photocopy costs	**9,000**	**9,504**	8,884
Postage and courier	**4,500**	**6,061**	5,802
Printing and stationery	**13,700**	**13,502**	11,463
Telephone and fax	**9,000**	**9,712**	10,001
Other	**1,300**	**7,226**	603
Professional fees	**25,000**	**20,201**	43,823
Staff training and travel	**15,500**	**17,046**	9,316
Computer expense	**47,500**	**58,642**	45,578
Resident's travel	**5,000**	**7,194**	2,893
Bank charges and interest	**3,000**	**3,177**	2,281
Dietetics	**312,500**	**312,041**	302,686
Laundry and linen	**90,000**	**91,610**	87,734
Housekeeping	**22,000**	**21,580**	18,056
Physical plant			
Fuel	**88,000**	**87,066**	100,234
Water	**43,000**	**45,043**	45,541
Electricity	**85,000**	**84,896**	88,797
Property insurance	**9,000**	**8,641**	8,554
Property taxes	**85,000**	**81,427**	79,284
Maintenance - building, grounds and equipment	**101,394**	**140,782**	81,297
Total operating costs	**$ 6,373,254**	**$ 6,523,230**	$ 6,098,255

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Member of Foyer Valade Inc.

We have audited the statement of financial position of Foyer Valade Inc. as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 2, 2008

	2008	2007

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:		
Bank indebtedness (note 7)	$ 183,608	$ 193,658
Accounts payable	143,432	173,678
Accrued liabilities	724,715	761,550
Advances from Winnipeg Regional Health Authority (note 9)	217,667	–
Bank loan (note 8)	186,053	196,764
	1,455,475	1,325,650
Residents' funds in trust (note 6)	17,272	16,948
Future employee pre-retirement benefits payable (note 5)	434,088	427,090
	451,360	444,038
	1,906,835	1,769,688
Deferred contributions for (note 10):		
Expenses of future periods	3,069	2,712
Capital assets	10,203,634	10,473,175
	10,206,703	10,475,887
Fund balances:		
Capital fund (note 11)	143,604	1,104
Internally restricted fund (note 12)	406,139	431,842
	549,743	432,946
	$ 12,663,281	$ 12,678,521

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Loretta Ceresini

Date le 25 juin 08

On behalf of the Member of the Corporation:

G. Lalonde

Date: le 25/08

FOYER VALADE INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 1,014,315	$ 1,008,163
Construction holdback held in trust	–	8,415
Employee benefits recoverable from Winnipeg Regional Health Authority (note 5)	288,336	288,336
Accounts receivable	23,581	65,055
Receivable from Winnipeg Regional Health Authority (note 3)	203,566	19,901
Inventory	36,798	29,613
Prepaid expenses	40,777	41,104
	1,607,373	1,460,587
Residents' funds in trust (note 6)	17,272	16,948
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 5)	433,301	426,303
Capital assets (note 4)	10,605,335	10,774,683
	$ 12,663,281	$ 12,678,521

FOYER VALADE INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Ancillary Operations	Internally Restricted Fund	Capital Fund	2008 Total	2007 Total
Revenue:						
Winnipeg Regional Health Authority	$ 5,856,957	$ –	$ –	$ –	$ 5,856,957	$ 4,991,167
Resident charges	2,341,303	–	–	–	2,341,303	1,771,737
	8,198,260	–	–	–	8,198,260	6,762,904
Amortization of deferred contributions (note 10)	–	–	–	360,087	360,087	359,002
Offset income:						
Cafeteria	35,837	–	–	–	35,837	31,915
Contributed services (note 13)	22,920	–	–	–	22,920	20,590
Interest	3,358	–	42,205	–	45,563	35,745
Donations	1,601		–	–	1,601	3,139
Fundraisers	–	–	3,984	–	3,984	3,227
Parking	31,731		–	–	31,731	26,981
Shared services (note 13)	213,540	–	–	–	213,540	164,534
Grants	9,048	–	–	–	9,048	6,929
Recoveries:						
General	141,229	–	–	–	141,229	66,512
Ancillary operations (note 10)	–	2,290	–	–	2,290	3,015
	459,264	2,290	46,189	–	507,743	362,587
	8,657,524	2,290	46,189	360,087	9,066,090	7,484,493
Expenses:						
Amortization	–	–	–	364,269	364,269	359,608
Salaries and wages	6,149,063	–	–	–	6,149,063	5,064,288
Employee benefits	968,159	–	–	–	968,159	811,663
Other supplies and expenses	201,765	–	–	–	201,765	183,954
Medical and surgical supplies	82,725	–	–		82,725	68,349
Drugs	6,260	–	–	–	6,260	2,577
Food costs	271,972	–	–	–	271,972	215,287
Utilities	217,215	–	–	–	217,215	183,037
Telephone and sundry	71,301	–	–	–	71,301	53,369
Travel	27,861	–	–	–	27,861	23,168
Professional and other fees	56,863	–	–	–	56,863	64,475
Advertising and public relations	4,580	–	–	–	4,580	8,955
Insurance	22,083	–	–	–	22,083	16,684
Equipment	103,359	–	–	–	103,359	114,115
Buildings and grounds	378,962	–	10,726	–	389,688	215,587
Interest	9,840	–	–	–	9,840	78,154
Ancillary operations	–	2,290	–	–	2,290	3,015
	8,572,008	2,290	10,726	364,269	8,949,293	7,466,285
Excess (deficiency) of revenue over expenses before the undernoted	85,516	–	35,463	(4,182)	116,797	18,208
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	–	4,216
Winnipeg Regional Health Authority future employee benefits recoverable (note 5)	6,998	–	–	–	6,998	28,744
Future employee pre-retirement benefits obligation (note 5)	(6,998)	–	–	–	(6,998)	(28,275)
Excess (deficiency) of revenue over expenses	85,516	–	35,463	(4,182)	116,797	22,893
Fund balances, beginning of year	–	–	431,842	1,104	432,946	410,053
Transfer to capital fund	(16,881)	–	(129,801)	146,682	–	–
Transfer of operating surplus	(68,635)	–	68,635	–	–	–
Fund balances, end of year	$ –	$ –	$ 406,139	$ 143,604	$ 549,743	$ 432,946

See accompanying notes to financial statements.

FOYER VALADE INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 116,797	$ 18,677
Winnipeg Regional Health Authority prior year adjustment	–	4,216
Adjustments for:		
Amortization of capital assets	364,269	359,608
Amortization of deferred contributions related to capital assets	(360,087)	(359,002)
Change in non-cash operating working capital:		
Construction holdback held in trust	8,415	93,292
Accounts receivable	41,474	14,275
Pledges receivable	–	17,000
Receivable from Winnipeg Regional Health Authority	(183,665)	(39,344)
Inventory	(7,185)	(1,954)
Future employee pre-retirement benefits recoverable	(6,998)	(28,275)
Prepaid expenses	327	(1,877)
Accounts payable	(30,246)	(471,351)
Accrued liabilities	(36,835)	163,875
Advances from Winnipeg Regional Health Authority	217,667	–
Future employee pre-retirement benefits payable	6,998	28,275
Deferred contributions received related to future periods	2,647	3,413
Deferred contributions recognized as revenue in the year	(2,290)	(3,015)
	131,288	(202,187)
Investing:		
Increase in deferred contributions related to capital assets	90,546	5,347,559
Additions to capital assets	(194,921)	(3,858,693)
	(104,375)	1,488,866
Financing:		
Bank indebtedness	(10,050)	(53,235)
Repayments on bank loan	(10,711)	(841,577)
	(20,761)	(894,812)
Increase in cash	6,152	391,867
Cash, beginning of year	1,008,163	616,296
Cash, end of year	$ 1,014,315	$ 1,008,163

See accompanying notes to financial statements.

FOYER VALADE INC.

Notes to Financial Statements

Year ended March 31, 2008

General:

Foyer Valade Inc. (the Corporation) was established January 22, 1976 under the laws of Manitoba as Foyer St. Boniface Inc. - St. Boniface Home Inc. and subsequently changed its name to Foyer Valade Inc. in 1988 to coincide with the relocation of the facility to River Road. The Corporation functions as a long-term care facility mandated by the Provincial government to provide services to the French speaking elderly, chronically ill and disabled.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is recognized on an accrual basis and is allocated to the appropriate category in the Internally Restricted Fund.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. **Significant accounting policies (continued):**

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Building	2% to 2.5%
Equipment and building service equipment	6 ¼% to 20%

(d) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in Ancillary Operations Fund.

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are recorded in the Operating Fund.

1. **Significant accounting policies (continued):**

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(f) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement, has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 5.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the Act.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Changes in accounting policy:

The Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

Upon adoption of this new standard, the Corporation designated cash and bank indebtedness as held-for-trading; accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority as loans and receivables; and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and bank loan as other liabilities. The Corporation does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transition adjustment for the Corporation's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transition adjustment for the Corporation's other financial instruments as their carrying amounts approximate amortized cost.

3. **Receivable from (payable to) Winnipeg Regional Health Authority:**

	2008	2007
Receivable:		
Prior years	$ 114,990	$ 8,564
Resident charges	–	29,826
Employee retirement benefits	34,582	9,409
Salaries and benefits	245,023	64,267
Other	6,989	31,075
	401,584	143,141
Payable:		
Prior years	105,108	105,108
Resident charges	92,903	–
Interest	476	18,601
	198,487	123,709
	203,097	19,432
Current future employee pre-retirement benefits recoverable (note 5)	469	469
Net receivable	$ 203,566	$ 19,901

Over/under funding occurs when non-global items (including resident charges revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

4. **Capital assets:**

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Building	$ 13,315,707	$ 3,205,269	$ 10,110,438	$ 10,288,605
Building service equipment	105,988	22,117	83,871	33,356
Equipment	1,606,908	1,195,882	411,026	452,722
Software licenses and fees	86,209	86,209	–	–
	$ 15,114,812	$ 4,509,477	$ 10,605,335	$ 10,774,683

The amount of interest capitalized in 2008 by the Corporation was nil (2007 - $102,915).

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Employee benefits:

(i) The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $434,088 (2007 - $427,090) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $6,998 (2007 - $28,275) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $469. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $433,301 (2007 - $426,303) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by the WRHA for fiscal 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $19,242 (2007 - $3,392) was paid from funding received for operations.

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2008 is $349,958 (2007 - $309,932).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $288,336 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

---

6. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

7. Bank indebtedness:

At March 31, 2008, the Corporation had an authorized line of credit of $200,000 which was used to finance a portion of the Corporation's contribution towards the 38 bed addition. The line of credit bears interest at the bank's prime rate less 0.25 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. Les Amis de Valade Inc., a corporation with the same Member of the Corporation, has also provided a guarantee as security for this loan.

The Corporation has an additional $100,000 authorized line of credit available with no outstanding borrowings.

8. Bank loan:

The bank loan is held by La Caisse Populaire de Saint-Boniface Limitée, is repayable on demand, is supported by a borrowing resolution of the Board of Directors together with borrowing approval from the WRHA, and bears interest at the Caisse Populaire's prime lending rate minus 0.50 percent. The loan is being repaid at $1,740 monthly, plus interest.

9. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $64,267 and $153,400 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for separate programs.

	2008	2007
Balance, beginning of year	$ 2,712	$ 2,314
Add amount received related to future periods	2,647	3,413
Less amount recognized as revenue in the year	(2,290)	(3,015)
	$ 3,069	$ 2,712

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants and pledges received or receivable for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 10,473,175	$ 5,484,618
Additional contributions received	90,546	5,347,559
Less amounts amortized to revenue	(360,087)	(359,002)
	$ 10,203,634	$ 10,473,175

On February 28, 2007, the Province of Manitoba approved the consolidation of $5,200,000 of the Corporation's borrowings with its Department of Finance. The advance has been recorded as a deferred contribution.

The advance received is governed by a promissory note payable to the Province of Manitoba which bears interest at 5.1 percent and required monthly principal payments of $21,667 plus interest. At March 31, 2008, the outstanding principal balance on the note was $4,918,330 (2007 - $5,178,334). No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Deferred contributions (continued):

The balance of unamortized capital contributions related to capital assets consists of the following:

	2008	2007
Unamortized capital contributions used to purchase assets	$ 10,092,070	$ 10,383,157
Unspent contributions:		
Equipment reserve	84,008	66,461
Major repairs	27,556	23,557
	$ 10,203,634	$ 10,473,175

11. Capital fund:

	2008	2007
Capital assets	$ 10,605,335	$ 10,774,683
Amount financed by:		
Deferred contributions	(10,092,070)	(10,383,157)
Bank loan	(186,053)	(196,764)
Line of credit	(183,608)	(193,658)
	$ 143,604	$ 1,104

12. Internally restricted fund:

	2008	2007
To be expended only with the approval of the Member of the Corporation	$ 368,057	$ 388,058
Other internal projects	38,082	43,784
	$ 406,139	$ 431,842

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

13. Related party transactions:

Foundation:

An amount of $10,000 (2007 - $36,775) was funded by Les Amis de Valade Inc., a corporation with the same Member of the Corporation. In fiscal 2008 and 2007, these amounts were used to repay bank indebtedness.

Shared and contributed services:

The Corporation and Centre Taché Centre, a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Centre Taché Centre in the amount of $213,540 (2007 - $164,534). The Corporation purchased services from Centre Taché Centre in the amount of $287,382 (2007- $234,910) which is included in salaries and wages.

In addition to these shared services, Centre Taché Centre contributed services to the Corporation in the amount of $22,920 (2007 - $20,590) free of charge.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Employee pension plan:

Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Corporation contributed $295,922 (2007 - $259,052) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rate increased to 6.8 percent and 8.4 percent respectively.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

---

15. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable, accrued liabilities, advances from Winnipeg Regional Health Authority and bank loan approximates their carrying value due to their immediate or short-term nature.

The fair value of the future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

16. Leasehold estate:

The facility is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The sixty year lease expires June 30, 2046. The land is held as a leasehold estate registered under *The Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of this lease is reflected in the financial statements.

17. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Corporation on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

18. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

FOYER VALADE INC.

Schedule - Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Amortization	$ 364,269	$ 359,608
Salaries and wages:		
Resident services:		
Nursing administration	$ 226,926	$ 148,316
Registered nurses	784,228	684,842
Licenced practical nurses	612,864	521,585
Resident assistants	2,061,835	1,658,909
Purchased services	551,896	274,230
	4,237,749	3,287,882
Activity	98,689	92,937
Dietary	569,734	508,296
General administration	390,412	436,938
Housekeeping	290,024	234,450
Laundry/linen	72,382	69,361
Medical administration fee	5,083	3,667
Occupational health	20,646	15,065
Occupational therapy/rehabilitation	27,900	26,560
Pastoral care	59,950	54,397
Physiotherapy	15,216	13,250
Plant maintenance	137,540	110,124
Social work	62,491	47,140
Staff development	107,345	129,775
Volunteer coordinator	53,902	34,446
	1,911,314	1,776,406
	$ 6,149,063	$ 5,064,288
Employee benefits:		
Canada pension plan	$ 203,116	$ 176,163
Employment insurance	110,681	100,264
Healthcare employees pension plan	295,922	259,052
Other employee benefits	131,262	112,526
Employee retirement benefits	53,824	12,801
Workers' compensation	63,486	54,661
	858,291	715,467
Health and education tax	109,868	96,196
	$ 968,159	$ 811,663

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

		2008		2007
Other supplies and expenses:				
Printing, stationery and office	$	20,007	$	17,802
Photocopying		1,988		2,360
Housekeeping and cleaning		9,453		10,636
Paper and disposable		20,255		15,287
Laundry and linen		5,206		7,878
Staff wearing apparel		14,494		11,625
Dietary and cleaning		18,478		19,227
Purchased service - laundry		97,322		73,902
Other supplies and expenses		14,562		25,237
	$	201,765	$	183,954
Medical and surgical supplies:				
General	$	29,997	$	26,577
Gastrostomy		1,127		616
Incontinence aids		51,601		41,156
	$	82,725	$	68,349
Drugs:				
Oxygen and other	$	6,260	$	2,577
Food costs	$	271,972	$	215,287
Utilities:				
Fuel	$	83,143	$	65,351
Water		47,512		36,262
Hydro		86,560		81,424
	$	217,215	$	183,037
Telephone and sundry:				
Telephone	$	16,983	$	13,517
General expenses		44,758		29,182
Staff training		5,794		6,146
Postage		3,766		4,524
	$	71,301	$	53,369

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Travel:		
Resident travel	$ 3,947	$ 4,107
Resident transportation	19,135	14,071
Staff	4,779	4,990
	$ 27,861	$ 23,168
Professional and other fees:		
Service bureau fees	$ 13,860	$ 11,858
Audit fees	16,201	13,889
Legal fees	2,316	1,109
Association membership fees	9,096	8,495
Other	15,390	29,124
	$ 56,863	$ 64,475
Advertising and public relations	$ 4,580	$ 8,955
Insurance	$ 22,083	$ 16,684
Equipment:		
Service contracts	$ 17,834	$ 18,814
Software contracts	24,788	27,575
Equipment maintenance	13,012	10,162
Minor purchases	47,725	57,564
	$ 103,359	$ 114,115
Buildings and grounds:		
Building repairs	$ 247,660	$ 91,767
Property taxes	142,028	123,820
	$ 389,688	$ 215,587
Interest	$ 9,840	$ 78,154
Ancillary operations	$ 2,290	$ 3,015
Total expenses	$ 8,949,293	$ 7,466,285

KPMG LLP
Chartered Accountants
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the statement of financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

May 16, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.
KPMG Canada provides services to KPMG LLP

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash (note 4)	$ 197,395	$ 231,143
Accounts receivable (note 5)	404,509	98,104
Inventories and prepaid expenses	30,418	29,388
Employee benefits recoverable from Winnipeg Regional Health Authority [note 14(iii)]	355,603	355,603
Short-term investments (note 6)	214,460	160,586
Receivable from related entities (note 7)	85,000	85,000
	1,287,385	959,824
Investments (note 6)	–	129,907
Receivable from related entities (note 7)	648,777	686,485
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 14(i)]	577,189	501,248
Capital assets (note 8)	4,446,950	4,643,676
	$ 6,960,301	$ 6,921,140

	2008	2007
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 812,694	$ 805,505
Payable to Winnipeg Regional Health Authority	276,290	–
Payable to residents	18,232	15,073
Current portion of long-term debt (note 10)	371,196	458,799
	1,478,412	1,279,377
Future employee pre-retirement benefits payable [note 14(i)]	550,207	474,266
Long-term debt (note 10)	313,544	326,234
Deferred contributions (note 11):		
Donations	7,516	4,497
Expenses of future periods	9,320	7,832
Capital assets	3,360,843	3,528,679
Equipment reserve	52,031	52,747
Reserve for major repairs	184,159	240,631
	3,613,869	3,834,386
Net assets:		
Unrestricted	244,396	229,875
Invested in capital assets (note 12)	759,873	777,002
	1,004,269	1,006,877
Commitment (note 15)		
	$ 6,960,301	$ 6,921,140

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 5,354,287	$ 5,066,228
Winnipeg Regional Health Authority - Adult Day Program	193,179	183,141
Resident charges	1,895,117	1,841,245
Participant charges - Adult Day Program	32,210	30,714
Donations and grants	10,995	2,121
Amortization of deferred contributions (note 11)	338,724	337,636
	7,824,512	7,461,085
Other income:		
Ancillary	34,097	37,734
Investment	36,076	42,961
Cafeteria	46,677	78,926
Other	25,154	27,204
	142,004	186,825
Total revenue	7,966,516	7,647,910
Expenses:		
Operating	7,490,125	7,138,960
Adult Day Program	230,400	211,751
Amortization of capital assets	248,599	246,741
	7,969,124	7,597,452
Excess (deficiency) of revenue over expenses before the undernoted	(2,608)	50,458
Future employee pre-retirement benefits [note 14(i)]	(75,941)	(25,265)
Funding for employee pre-retirement benefits payable [note 14(i)]	75,941	25,265
Excess (deficiency) of revenue over expenses	$ (2,608)	$ 50,458

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Unrestricted	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	$ 229,875	$ 777,002	$ 1,006,877	$ 956,419
Excess (deficiency) of revenue over expenses	14,521	(17,129)	(2,608)	50,458
Net assets, end of year	$ 244,396	$ 759,873	$ 1,004,269	$ 1,006,877

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (2,608)	$ 50,458
Adjustments for:		
Amortization of capital assets	248,599	246,741
Amortization of deferred contributions related to capital assets	(231,468)	(229,608)
Change in the following:		
Restricted cash	(7,902)	77,235
Accounts receivable	(306,405)	399,936
Inventories and prepaid expenses	(1,030)	(14,265)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(75,941)	(25,265)
Accounts payable and accrued liabilities	7,189	37,260
Payable to Winnipeg Regional Health Authority	276,290	(362,389)
Payable to residents	3,159	1,477
Future employee pre-retirement benefits payable	75,941	25,265
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	(51,965)	(53,671)
	(66,141)	153,174
Financing and investing activities:		
Deferred contributions received for capital assets and equipment reserves	62,916	68,211
Repayment of long-term debt	(100,293)	(95,218)
Decrease (increase) in receivable from related entities:		
Fred Douglas Heritage House Inc.	118,510	146,607
Other	(80,802)	(57,776)
Purchase of capital assets	(51,873)	(67,530)
Decrease (increase) in investments	76,033	(15,510)
	24,491	(21,216)
Increase (decrease) in cash	(41,650)	131,958
Cash (bank indebtedness), beginning of year	127,429	(4,529)
Cash, end of year (note 4)	$ 85,779	$ 127,429

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Year ended March 31, 2008

General:

The Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a senior citizens complex in Winnipeg, Manitoba.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding.

The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements with respect to the year ended March 31, 2008. The Division's Service Purchase Agreement with the WRHA will expire March 31, 2012.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Investment income includes interest income and realized and unrealized investment gains and losses.

1. Significant accounting policies (continued):

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits of the Division are the responsibility of the Division. Any operating surpluses of the Division are subject to review by the WRHA. The Division may retain the greater of 50 percent of the Personal Care Home's operating surplus and 2 percent of the Personal Care Home's global budget as provided by the WRHA. in any fiscal year. The remaining operating surplus in any fiscal year is repayable to the WRHA.

(d) Investments:

Effective April 1, 2007, investments are classified as held-for-trading and are carried at fair value (note 2). Fair value of investments is based on period end quoted market prices. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in investment income in the statement of operations. For periods prior to April 1, 2007, all investments were carried at cost and investment income was recorded on an accrual basis.

Investments of the Division are pooled with the investments from Fred Douglas Apartments, a Division of Fred Douglas Society Inc. The income on the investments is allocated to each division in proportion to the respective amounts invested by each division throughout the year.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written-down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 to 10 years

1. Significant accounting policies (continued):

(f) Future employee pre-retirement benefits payable:

The cost of the Division's employee pre-retirement benefits payable is accrued as earned based on an actuarial estimation. The estimation of future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring the Division's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 5.5 percent (2007 - 4.85 percent), a rate of salary increase of 3.5 percent (2007 - 3.0 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(h) Income taxes:

Fred Douglas Society Inc. is exempt from tax under Section 149 of the *Income Tax Act*.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Change in accounting policy:

The Division adopted the new standard, Handbook Section 3855 - *Financial Instruments - Recognition and Measurement*, on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the Division designated cash, short-term investments and investments as held-for-trading; accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, receivable from related entities and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority, payable to residents and long-term debt as other liabilities. The Division has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on April 1, 2007 had no material impact on net assets.

3. Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Division on April 1, 2008.

3. Future accounting changes (continued):

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Division is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

4. Cash:

	2008	2007
Unrestricted cash	$ 85,779	$ 127,429
Restricted cash	111,616	103,714
	$ 197,395	$ 231,143

Restricted cash, along with restricted investments disclosed in note 6, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs as well as cash held in trust for residents.

5. Accounts receivable:

	2008	2007
Accounts receivable	$ 10,531	$ 7,858
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	106,157	78,102
MNU contract increases	40,682	–
MGEU contract increases	276,289	85,830
Other	47,615	1,964
Resident charges	(76,765)	(75,650)
	$ 404,509	$ 98,104

6. Investments:

	2008		2007	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Canadian bonds	3.70%	$ 69,179	3.86%	$ 129,907
Money market fund		145,281		160,586
		214,460		290,493
Current portion, shown as short-term investments		214,460		160,586
		$ –		$ 129,907

In 2008, investments are carried at fair value and in 2007 carrying value represented book value (note 2). The fair value of investments at March 31, 2007 was $285,700. The bonds mature in fiscal 2009.

The allocation of investments between unrestricted and restricted is as follows:

	2008	2007
Unrestricted investments	$ 54,829	$ 74,630
Restricted investments	159,631	215,863
	$ 214,460	$ 290,493

7. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2008	2007
Fred Douglas Heritage House Inc.:		
Advances receivable, net of allowance of $78,743 (2007 - $78,743)	$ 134,756	$ 164,733
Demand debenture receivable	358,506	447,039
Fred Douglas Foundation, Inc.	21,767	25,600
Fred Douglas Apartments	14,385	(1,290)
Fred Douglas Residence	204,363	135,403
	733,777	771,485
Current portion of demand debenture receivable	85,000	85,000
	$ 648,777	$ 686,485

7. Receivable from related entities (continued):

Fred Douglas Heritage House Inc. is an organization controlled by Fred Douglas Society Inc.. The advances receivable from Fred Douglas Heritage House Inc. bear interest at prime rate and are repayable out of available working capital. The advances are secured by the same security as disclosed for the demand debenture receivable. Interest charged on the advances during the year was $12,311 (2007 - $15,553).

The demand debenture receivable from Fred Douglas Heritage House Inc. is due on demand, bears interest at prime rate, requires monthly principal and interest payments of $9,450 and is secured by a second mortgage on the leasehold interests of Fred Douglas Heritage House Inc.. During the year, the Division charged interest of $24,868 (2007 - $29,083) on the demand debenture receivable.

The Division has waived its right to demand repayment of the advances receivable and $273,506 of the demand debenture receivable prior to April 1, 2009.

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Residence are divisions of Fred Douglas Society Inc.. The receivables from (payable to) these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

8. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,535,675	5,342,723	4,192,952	4,333,524
Furniture and equipment	1,508,042	1,271,181	236,861	293,015
	$ 11,060,854	$ 6,613,904	$ 4,446,950	$ 4,643,676

9. Bank indebtedness:

The Division has a demand revolving credit facility with a maximum limit of $500,000. The operating credit line bears interest at prime rate. The facility is secured by the same security as disclosed in note 10 on the demand term loans. The Division had not drawn on the facility at March 31, 2008 (2007 - nil).

10. Long-term debt:

	2008	2007
7.75% mortgage, Canada Mortgage and Housing Corporation, payable $3,095 monthly including principal and interest, secured by a mortgage against the property located at 1275 Burrows Avenue, maturing October 1, 2022	$ 326,234	$ 337,994
Royal Bank of Canada demand term loans, interest at bank prime, payable $9,450 monthly including principal and interest, maturing September 30, 2008	358,506	447,039
	684,740	785,033
Current portion of long-term debt	371,196	458,799
	$ 313,544	$ 326,234

The demand term loans are secured by a general security agreement and a second charge collateral mortgage against the property located at 1275 Burrows Avenue.

Principal due over the next five years and thereafter is as follows:

2009	$ 371,196
2010	13,693
2011	14,775
2012	15,942
2013	17,201
Thereafter	251,933

11. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2008	2007
Balance, beginning of year	$ 4,497	$ 2,412
Contributions received	4,207	3,199
Amounts recognized as revenue in the year	(1,188)	(1,114)
Balance, end of year	$ 7,516	$ 4,497

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles.

	2008	2007
Balance, beginning of year	$ 7,832	$ 6,577
Contributions received	1,488	1,488
Amounts recognized as revenue in the year	–	(233)
Balance, end of year	$ 9,320	$ 7,832

(c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2008	2007
Balance, beginning of year	$ 3,528,679	$ 3,677,774
Transfer from deferred contributions - equipment reserve	24,516	36,102
Contributions received	39,116	44,411
Amounts amortized to revenue in the year	(231,468)	(229,608)
Balance, end of year	$ 3,360,843	$ 3,528,679

11. Deferred contributions (continued):

(d) Equipment reserve:

Deferred contributions related to equipment reserve represent unspent contributions for the future purchase of capital assets. When the capital assets are purchased, an equivalent amount is transferred from this reserve to the deferred contributions related to capital assets.

	2008	2007
Balance, beginning of year	$ 52,747	$ 65,049
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(24,516)	(36,102)
Balance, end of year	$ 52,031	$ 52,747

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2008	2007
Balance, beginning of year	$ 240,631	$ 297,642
Contributions received	50,784	50,784
Amounts amortized to revenue in the year	(107,256)	(107,795)
Balance, end of year	$ 184,159	$ 240,631

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 4,446,950	$ 4,643,676
Deferred contributions	(3,360,843)	(3,528,679)
Long-term debt	(326,234)	(337,995)
	$ 759,873	$ 777,002

13. Related party transactions:

During the year, the Division charged 10,000 (2007 - $9,996) as a management fee to Fred Douglas Apartments, a Division of Fred Douglas Society Inc.. During the year, the Division also charged a service fee of 3,000 (2007 - $3,240) to Fred Douglas Heritage House Inc..

During the year, the Division charged $1,694 (2007 - $37,957) in food service costs to Fred Douglas Residence, a Division of Fred Douglas Society Inc..

During the year, the Division received $1,909 (2007 - $1,101) in funding for improvements and resident services, and $8,444 (2007 - $2,025) in funding for capital assets from Fred Douglas Foundation, Inc..

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Future employee benefits and employee benefits:

(i) The Division maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008 based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $550,207 (2007 - $474,266) for which the Division has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which includes an interest component. The increase recorded in fiscal 2008 was 75,941 (2007 - $25,265) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $577,189 (2007 - $501,248) and has no specified terms of repayment.

14. Future employee benefits and employee benefits (continued):

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Division. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $15,611 (2007 - $7,446) was paid from funding received for operations.

In summary, information about the Division's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Benefits paid	$ 43,666	$ 28,098
Future employee pre-retirement benefits	75,941	25,265
WRHA additional funding for pre-retirement benefits paid	28,055	20,652
WRHA funding for change in pre-retirement benefits payable	75,941	25,265
Future employee pre-retirement benefits payable	550,207	474,266

(ii) All eligible employees of the Division are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Division contributed $308,510 (2007 - $290,835) on behalf of its employees. Contribution rates increased on July 1, 2007 to 6.8 percent up to the years maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE.

The most recent actuarial valuation of the plan as at December 31, 2006 reported that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

(iii) The cost of the Division's vacation benefits is accrued when the benefits are earned by the employees and is included in accounts payable and accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2008 is $396,098 (2007 - $379,893).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $355,603 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

15. Commitment:

The Division had entered into a service purchase agreement for transportation service for the adult day program that expired March 31, 2008. The annual service costs under this agreement were approximately $77,000. The Division continues to operate under terms and conditions which are substantially the same as those previously agreed to with the service provider. Negotiations to finalize a new agreement are ongoing.

16. Fair value:

The fair value of accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority and payable to residents approximate their carrying value due to the short term nature of these instruments.

The fair value of long-term debt is approximately $730,000 (2007 - $842,000) compared to its carrying value of $684,740 (2007 - $785,033). Fair value of long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to the Division.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of the receivable from related entities is not practical to determine due to its underlying terms and conditions.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Nursing services:		
Medical and surgical supplies	$ 52,382	$ 42,967
Incontinence supplies	56,828	59,593
Nursing administration	2,952	2,760
	112,162	105,320
Resident services:		
Activities	6,134	5,483
Other	11,726	8,085
	17,860	13,568
General administration:		
Advertising	4,200	2,420
Audit and professional fees	27,784	36,339
Bank charges and interest	2,226	1,412
Bonding and insurance	4,022	5,070
Data processing and communications	37,244	39,446
Delivery and courier	1,906	1,928
Equipment lease and maintenance	24,484	22,832
Meetings and miscellaneous	9,745	6,605
Labor relations	1,031	395
Licenses and membership fees	4,312	3,691
Postage	3,651	1,927
Printing, stationery and office supplies	9,341	8,312
Staff and resident events and appreciation	14,535	11,809
Travel	1,772	3,542
	146,253	145,728
Dietary:		
Food	283,012	283,825
Glassware and cutlery	3,480	2,598
Management fee	–	13,627
Supplies	23,275	17,465
	309,767	317,515
Laundry:		
Supplies	18,218	11,000
Linen:		
Supplies	4,335	7,668
Housekeeping:		
Maintenance and supplies	24,082	27,038
Carried forward	632,677	627,837

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Brought forward	$ 632,677	$ 627,837
Physical plant:		
Operations:		
Electricity	77,067	77,689
Natural gas	98,110	101,395
Insurance	10,442	13,680
Taxes	51,437	51,862
Water	57,309	47,823
Maintenance and repairs:		
Buildings and grounds	173,480	133,868
Equipment	31,210	38,215
Other	4,508	4,160
Bank loans interest	24,868	29,083
Long-term debt interest	25,301	26,168
	553,732	523,943
Salaries:		
Nursing	3,628,128	3,421,241
Administration	374,399	426,843
Resident services	249,999	241,648
Dietary	479,848	449,901
Support services	499,615	471,604
Employee benefits	1,049,780	964,172
Accrued vacation	21,947	11,771
	6,303,716	5,987,180
Total operating expenses	$ 7,490,125	$ 7,138,960

PKBW GROUP 219 Fort Street Winnipeg, Manitoba Canada R3C 1E2



GROUP

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC

AUDITORS' REPORT

To The Advisory Board
Holy Family Home Inc. Revenue Fund and
Sister Servants of Mary Immaculate Plant Fund

We have audited the statement of financial position of Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2008 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2008 and the results of their operations, changes in net assets and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PKBW Group

Winnipeg, Manitoba
May 27, 2008

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

PK BW GROUP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS INC

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

ASSETS

	REVENUE FUND	PLANT FUND	2008 TOTAL	2007 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 922,627	497,664	1,420,291	891,586
Accounts receivable	127,681	8,161	135,842	132,547
Due from WRHA (Note 2(a))	889,512	8,334	897,846	653,109
Due from WRHA - Accrued vacation pay and pre-retirement leave (Note 4)	1,817,376	-	1,817,376	1,732,396
Inventory	54,872	-	54,872	51,594
Prepaid expenses	12,834	-	12,834	12,708
	3,824,902	514,159	4,339,061	3,473,940
INVESTMENTS (Note 3)	-	200,000	200,000	200,000
CAPITAL ASSETS (Notes 2(c) and 5)	-	5,144,387	5,144,387	5,466,483
	$ 3,824,902	5,858,546	9,683,448	9,140,423

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,914,621	39,584	1,954,205	1,221,068
Accrued vacation pay and pre-retirement leave (Note 4)	2,206,065	-	2,206,065	2,075,496
Current portion of long-term debt (Note 6)	-	75,039	75,039	125,602
Due to (from) revenue/ plant fund	(175,534)	175,534	-	-
	3,945,152	290,157	4,235,309	3,422,166
LONG-TERM DEBT (Note 6)	-	2,893,025	2,893,025	2,968,903
DEFERRED CONTRIBUTIONS				
Expenses of future periods (Note 7)	-	6,504	6,504	-
Capital assets (Notes 2(d) and 7)	-	1,292,539	1,292,539	1,477,786
	-	1,299,043	1,299,043	1,477,786
NET ASSETS				
Externally restricted net assets	-	233,027	233,027	211,951
Internally restricted net assets	176,091	-	176,091	232,043
Net assets invested in capital assets	-	844,200	844,200	853,885
Unrestricted net assets	(296,341)	299,094	2,753	(26,311)
	(120,250)	1,376,321	1,256,071	1,271,568
	$ 3,824,902	5,858,546	9,683,448	9,140,423

APPROVED BY THE BOARD:

_____ Director

_____ Director

PKBW GROUP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS INC

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2008

	REVENUE AND PLANT FUND	ADULT DAY CARE PROGRAM	2008 TOTAL	2007 TOTAL
REVENUE				
Resident services				
Winnipeg Regional Health Authority (Note 10)	$ 10,720,256	187,165	10,907,421	10,562,530
Resident/ participant charges	4,083,340	24,641	4,107,981	3,905,292
	14,803,596	211,806	15,015,402	14,467,822
Offset income				
Dietary	161,017	-	161,017	160,964
Investment income (Note 8)	8,584	-	8,584	19,165
Amortization of deferred capital contributions	374,303	-	374,303	343,155
Miscellaneous	93,299	-	93,299	102,813
	637,203	-	637,203	626,097
	15,440,799	211,806	15,652,605	15,093,919
EXPENSES				
Salaries and wages				
Nursing services	8,426,218	-	8,426,218	7,897,679
Special services	905,689	-	905,689	799,015
General services	3,060,012	123,585	3,183,597	2,998,250
	12,391,919	123,585	12,515,504	11,694,944
Nursing services	242,298	-	242,298	232,086
Special services	95,682	-	95,682	96,490
General administration	356,909	84,886	441,795	678,542
Dietary	757,591	5,233	762,824	701,733
Laundry	200,221	-	200,221	223,660
Linen	27,347	-	27,347	27,371
Housekeeping	41,020	-	41,020	41,547
Physical plant	703,500	-	703,500	745,844
Debt structure and amortization (Note 2)	598,460	-	598,460	576,677
	15,414,947	213,704	15,628,651	15,018,894
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	25,852	(1,898)	23,954	75,025
Unfunded employee future benefits (Note 4)	(45,589)	-	(45,589)	(76,784)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - REVENUE FUND	(19,737)	(1,898)	(21,635)	(1,759)
ADD: PLANT FUND INCOME (Note 8)	51,432	-	51,432	30,172
EXCESS (DEFICIENCY) REVENUE OVER EXPENSES	$ 31,695	(1,898)	29,797	28,413

PKBW GROUP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS INC

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2008

PLANT FUND EXTERNALLY RESTRICTED NET ASSETS	MAJOR BUILDING REPAIRS - PHASE 1	MAJOR BUILDING REPAIRS - PHASE 2	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ 82,936	129,015	211,951	236,412
Add: Appropriation for year	8,136	15,000	23,136	23,136
	91,072	144,015	235,087	259,548
Deduct: Approved expenditures	-	2,060	2,060	47,597
BALANCE, END OF YEAR	$ 91,072	141,955	233,027	211,951

REVENUE FUND INTERNALLY RESTRICTED NET ASSETS	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ 2,502	26,095	203,446	232,043	232,043
Deduct: Approved expenditures	-	-	55,952	55,952	-
BALANCE, END OF YEAR	$ 2,502	26,095	147,494	176,091	232,043

NET ASSETS INVESTED IN CAPITAL ASSETS	2008	2007
BALANCE, BEGINNING OF YEAR	$ 853,885	863,566
Add (deduct): Net assets invested in capital assets	(10,418)	(10,419)
Change in accrued interest payable	733	738
BALANCE, END OF YEAR	$ 844,200	853,885

UNRESTRICTED NET ASSETS	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	REVENUE FUND	TOTAL REVENUE FUND	PLANT FUND	2008 TOTAL	2007 TOTAL
BALANCE, BEGINNING OF YEAR	$ (343,100)	68,394	(274,706)	248,395	(26,311)	(53,986)
Add (deduct): Excess (deficiency) of revenue over expenses	(45,589)	23,954	(21,635)	51,432	29,797	28,413
Change in accrued interest payable	-	-	-	(733)	(733)	(738)
BALANCE, END OF YEAR	$ (388,689)	92,348	(296,341)	299,094	2,753	(26,311)

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2008

	2008	2007
Excess (deficiency) of revenue over expenditures	$ 29,797	28,413
Add non-cash item(s):		
Amortization of capital assets	374,303	343,155
Amortization of deferred capital contributions	(407,870)	(413,277)
Net assets invested in capital assets	(10,418)	(10,419)
	(14,188)	(52,128)
Change in non-cash working capital:		
Accounts receivable	(3,295)	(5,142)
Due from WRHA	(244,737)	70,066
Due from WRHA - Accrued vacation pay and pre-retirement leave	(84,980)	(65,874)
Inventory	(3,278)	112
Prepaid expenses	(126)	(497)
Accounts payable and accrued liabilities	733,137	(288,107)
Accrued vacation pay and pre-retirement leave	130,569	122,806
	513,102	(218,764)
INVESTING ACTIVITIES		
Purchase of capital assets - equipment and building improvements	(52,207)	(465,796)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(126,441)	(139,828)
Additions (utilization) of externally restricted fund balances - reserves	21,076	(24,461)
Additions (utilization) of internally restricted fund balances - reserves	(55,952)	-
Deferred capital contributions	229,127	662,254
	67,810	497,965
INCREASE (DECREASE) IN CASH	528,705	(186,595)
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,091,586	1,278,181
CASH AND INVESTMENTS, END OF YEAR (Note 3)	$ 1,620,291	1,091,586
ADDITIONAL INFORMATION:		
Interest received	$ 85,916	52,761
Interest paid	224,881	234,265

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

1. ACCOUNTING ENTITY

Holy Family Nursing Home was incorporated by a Special Act of the Province of Manitoba on May 6, 1963 and during the current fiscal year, the Home incorporated Holy Family Home, Inc. (HFH) as an operating name. HFH is sponsored, owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFH within the motto of the Sisters "To Serve is to Love".

2. SIGNIFICANT ACCOUNTING POLICIES

a) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from Manitoba Health and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to Manitoba Health. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

The WRHA performs a final review of HFH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFH's audited financial statements up to and including March 31, 2004.

b) Purpose of Funds

The Revenue Fund accounts for the funded operations of HFH. The Plant Fund, which is owned and operated by SSMI, records the capital assets less the related debt and the equity belonging to SSMI.

The Externally Restricted Fund Balances represent unspent balances of amounts funded for future expenditures. Reserves for Major Building Repairs and the Amortization Fund are maintained as separately funded accounts and are utilized upon prior approval by the WRHA.

The Unrestricted Fund Balances represent the accumulated equity of HFH and SSMI.

c) Capital Assets

Capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 years.

d) Deferred Capital Contributions

Contributions received for the purchase and funding of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

f) Revenue Recognition

HFH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

g) Change in Accounting Policy

The organization has adopted the following new accounting pronouncements for its fiscal period beginning April 1, 2007. The adoption of these new pronouncements did not have an effect on the organization's financial position or results of operations.

CICA Handbook Section 3855 : "Financial Instruments - Recognition and Measurement" and Section 3861 : "Financial Instruments - Disclosure and Presentation", effective for fiscal years beginning on or after October 1, 2006, establishes standards for the recognition, classification and measurement of financial instruments including presentation of any resulting gain or losses.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2008	Total 2007
HFH Revenue fund	$ 922,627	-	922,627	453,772
SSMI Plant fund unrestricted	457,959	-	457,959	434,023
Major building repairs reserve fund	33,201	200,000	233,201	212,125
Equipment amortization fund	6,504	-	6,504	(8,334)
	$ 1,420,291	200,000	1,620,291	1,091,586

The investments are part of a jointly held investment pool (Note 8) with yields of 4.10% maturing on April 2, 2011.

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave	Unfunded Employee Future Benefits
March 31, 2005	Vacation pay	$ 719,492	715,493	3,999
	Pre-retirement leave	947,030	1,104,789	(157,759)
		$ 1,666,522	1,820,282	(153,760)

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

March 31, 2006	Vacation pay	$ 719,492	735,346	(15,854)
	Pre-retirement leave	947,030	1,217,344	(270,314)
		$ 1,666,522	1,952,690	(286,168)
March 31, 2007	Vacation pay	$ 719,492	792,278	(72,786)
	Pre-retirement leave	1,012,904	1,283,218	(270,314)
		$ 1,732,396	2,075,496	(343,100)
March 31, 2008	Vacation pay	$ 719,492	837,867	(118,375)
	Pre-retirement leave	1,097,884	1,368,198	(270,314)
		$ 1,817,376	2,206,065	(388,689)

a) Vacation Pay Receivable/ Payable

HFH has a receivable from the WRHA for vacation pay of $719,492 which was capped in 2003/04. Effective for the fiscal year 2004/2005, Manitoba Health has directed that healthcare facilities may no longer accrue as a receivable, the revenue equivalent to the change on the vacation pay liability. As a result of the above, the unfunded portion of the liability was $45,589 (2007 - $56,931) for the fiscal year ending March 31, 2008.

b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,097,884 (2007 -$1,012,904) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following years: 2006/07 and 2007/08. For the 2004/2005 and 2005/2006 fiscal years, Manitoba Health directed that healthcare facilities were not allowed to accrue as a receivable, the revenue equivalent to the change in the retirement entitlement obligation liability.

c) Pre-retirement Leave Payable

HFH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty. HFH has recorded an accrual based upon an actuarial valuation at March 31, 2008 of $1,368,198 (2007 - $1,283,218) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2008, HFH paid out retirement allowances to their employees in the amount of $55,811, in which the WRHA only funded 64.25% of the payable. [The unfunded portion for the fiscal year 2007/2008 was $19,953 (2007 - $20,773)].

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which include Vacation Pay and Pre-retirement Leave) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the purchase service agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Secondly, in keeping with the terms of the purchase service agreement, future employee benefits should be recognized, both as a liability and as a receivable. The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable.

HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements.

5. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 191,548	-	191,548	-
Park Improvements	196,806	-	196,806	-
Redwood Park	69,158	-	69,158	-
Building - Phase I	1,616,588	1,184,669	1,616,588	1,151,533
Building - Phase II	3,957,077	2,373,753	3,957,077	2,295,924
Building - Phase V	1,621,247	669,646	1,621,247	599,157
Building - Link	1,500,962	664,688	1,500,962	621,794
Building - Canopy	70,161	36,538	70,161	33,615
Building Improvements	170,392	13,905	170,392	5,385
Equipment	2,382,970	1,731,897	2,330,762	1,593,384
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Other	42,574	-	42,574	-
	$ 12,289,300	7,144,913	12,237,092	6,770,609
Net book value		$ 5,144,387		5,466,483

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

6. LONG-TERM DEBT

	2008	2007
TD Canada Trust Line of Credit, prime minus 0.50% (5.50%), due in 2008, repayable in monthly installments of $6,270 plus interest, secured by a letter of comfort issued by Manitoba Health and letters from Manitoba Health and HFH indicating their intentions to continue to operate and to fund HFH. Accrued interest $Nil (2007 - $245).	$ -	56,366
CMHC Mortgage due in 2021, 6.875%, repayable in monthly installments of $7,707 including principal and interest, secured by mortgage on Phase I land and building. Accrued interest $4,488 (2007 - $4,698).	831,735	831,735
CMHC Mortgage due in 2028, 10.00%, repayable in monthly installments of $20,630 including principal, interest and subsidy of $3,853 monthly, secured by mortgage on Phase II land and building. Accrued interest $17,747 (2007 - $18,015).	2,136,329	2,206,404
	2,968,064	3,094,505
Less: current portion	75,039	125,602
	$ 2,893,025	2,968,903

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31, 2009	$ 75,039
2010	81,311
2011	87,980
2012	95,159
2013	102,866
Thereafter	2,525,709
	$ 2,968,064

7. DEFERRED CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2008 Total	2007 Total
BALANCE, BEGINNING OF YEAR	$ -	1,477,786	1,477,786	1,228,809
Add: Deferred capital contributions - WRHA	48,300	172,638	220,938	576,730
Pre-approved funding - WRHA	-	-	-	8,334
Donation from SSMI/HFH - Building Expansion Fund	-	6,000	6,000	50,966
Donation from SSMI/HFH - Ladies Auxiliary	-	2,189	2,189	5,355
Other	-	-	-	20,869
	48,300	1,658,613	1,706,913	1,891,063
Deduct: Amortization of deferred contributions	41,796	366,074	407,870	413,277
BALANCE, END OF YEAR	$ 6,504	1,292,539	1,299,043	1,477,786

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

8. REVENUE AND PLANT FUND INVESTMENT INCOME

	Revenue Fund	Plant Fund	2008	2007
HFH Revenue fund investment income	$ 8,584	-	8,584	19,165
SSMI Plant fund investment income	-	51,432	51,432	30,172
	$ 8,584	51,432	60,016	49,337

9. RELATED PARTY TRANSACTIONS

Holy Family Home Inc. Revenue Fund (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate Special Purpose Trust Fund; Sisters Servants of Mary Immaculate (operating as Holy Family Home Inc. Building Expansion Fund); Sisters Servants of Mary Immaculate Seniors Tower Fund, Sisters Servants of Mary Immaculate (operating as Holy Family Home Inc. Ancillary Operations) and Holy Family Home Inc. Ladies Auxiliary. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties.

Holy Family Home Inc. Revenue Fund charged Sisters Servants of Mary Immaculate Seniors Tower Fund an administration fee of $33,600 in 2008 (2006 - $30,996). This transaction was recorded at the exchange amount, which is the amount agreed upon by both parties.

Holy Family Home Inc. Ancillary Operations owns and operates a bus for the transportation of Holy Family Home Inc. residents. It charged rent of $5,109 (2007 - $8,861) to Holy Family Home Inc. Revenue Fund to recover the operating expenses of that bus. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

Sisters Servants of Mary Immaculate Special Purpose Trust Fund pays the Holy Family Home Inc. Revenue Fund fees in the amount of $13,560 in 2008 (2007 - $13,560) for accounting support services. The transactions are at the exchange amount, which is the amount agreed upon by both parties.

10. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2008	2007
Total funds received during year	$10,578,517	10,536,420
Add: Year end adjustments receivable	554,492	246,092
	11,133,009	10,782,512
Deduct: Loan funding deferred	126,432	139,824
Major reserves funding deferred	23,136	23,136
Residential charges claw back	76,020	57,022
	225,588	219,982
	$10,907,421	10,562,530

11. COMMITMENTS

HFH leases office equipment under operating leases. The future annual lease commitments under these leases are as follows:

March 31,	2009	$ 5,189
	2010	5,976
	2011	5,400
	2012	7,860

12 USE OF ESTIMATES

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

13 FINANCIAL INSTRUMENTS

The organization has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations. Due to the short-term nature of the following financial instruments held by the organization, including cash, accounts receivable, accrued interest receivable, inventory, and accounts payable and accrued liabilities, the carrying value as presented in the financial statements are reasonable estimates of fair value. Investments are recorded at fair market value (including accrued interest). The carrying value of the loan receivable approximates fair market value. It is management's opinion that the organization is not exposed to significant interest, credit or currency risk arising from any of its financial instruments.

AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporated
Winnipeg, Manitoba

I have audited the statement of financial position of the Hope Centre Health Care Incorporated as at March 31, 2008 and the statement of operations and accumulated surplus for the year then ended. These financial statements are the responsibility of the Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and the changes in its financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

David Hildebrand CGA

David Hildebrand CGA CAFM
Certified General Accountant

2 – 715 Lanark Street
Winnipeg, R3N 1M4

June 27, 2008

Hope Centre Health Care Incorporated
Statement of Financial Position
As at March 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash		$ 24,667
Accounts receivable	$ 34,716	30,397
Total Current Assets	34,716	55,064
Property Plant & Equipment (Note 1 & 2)	44,625	38,286
Total Assets	**$ 79,341**	**$ 93,350**
LIABILITIES		
CURRENT LIABILITIES		
Bank Overdraft	$ 17,572	
Accounts payable	15,961	$ 24,298
Total Current Liabilities	33,533	24,298
OWNERS' EQUITY		
Investment in capital assets	44,625	38,286
Unrestricted	1,183	30,766
	45,808	69,052
Total Liabilities and Surplus	**$ 79,341**	**$ 93,350**

B M Abromski Director

Gerilla Lamy Director

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2008

	2008	2007
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 860,158	$ 840,842
Medical Receipts	7,691	6,129
Other	3,097	2,253
	870,946	849,224
EXPENSES		
Administration	94,801	102,154
Primary Health Care	716,030	658,869
Occupancy	83,358	84,012
	894,189	845,035
Excess of revenue over expenses for the year	(23,243)	4,189
Accumulated surplus (deficiency), beginning of year	69,051	69,604
Prior Period Adjustment - Legal Fees 2004 - 2006	-	(4,742)
Accumulated surplus (deficiency), end of year	$ 45,808	$ 69,051

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Schedule of Expenses
For the year ended March 31, 2008

	2008	2007
Administration		
Salaries and Benefits	$ 82,280	$ 83,000
Board Expenses	20	817
Professional fees	7,825	11,495
Bank Charges	1,873	1,800
Insurance - Liability	2,803	5,042
	$ 94,801	$ 102,154
Primary Health Care		
Salaries - Physicians	169,447	157,472
Salaries & benefits - Health Care	$ 483,624	$ 440,240
Professional Development	3,944	2,736
Auto Allowance	2,197	1,120
Program Supplies	28,615	30,571
Program Equipment	6,967	6,852
Public Relations	8,962	9,081
Medical Courier	74	47
Communications	9,589	9,440
Postage	2,611	1,310
	$ 716,030	$ 653,869
Occupancy		
Cleaning - Janitorial	$ 9,500	$ 7,520
Cleaning Supplies	2,776	2,531
Properties - Heat	7,586	5,804
Properties - Light	3,444	3,613
Properties - Water	3,003	1,685
Properties - Maintenance	10,096	9,480
Properties - Taxes	1,337	1,229
Hardware Supplies	32	615
Rental - 240 Powers St.	40,800	40,800
Alarm Monitoring	1,123	1,319
Amortization	3,661	9,416
	$ 83,358	$ 84,012

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2008

1. Purpose of the Organization

Hope Centre Health Care Inc. is committed to the provision of a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God and worthy of a competent standard of care, rendered with respect, dignity and compassion.

Hope Centre Health Care Inc. is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

2. Accounting Policies

The following is a summary of the significant accounting policies used by the organization

I) Property, Plant & Equipment and Amortization

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

Building	5%	Straight- line basis
Furniture and fixtures	20%	Straight- line basis
Equipment	30%	Straight- line basis

ii) Manitoba Health funding

Manitoba Health provides funding to the organization based on their assessment of the organization's annual operating budgets and on approved capital expenditures. Periodically, Manitoba Health reviews actual operating results and processes adjustments to amounts previously provided. The organization accounts for these adjustments as a credit or charge to accumulated surplus.

3. Property Plant & Equipment

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2008	2007
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	60,588	12,625	6,286
Furniture and fixtures	50,898	50,589	-	-
Equipment	28,500	28,500	-	-
	$ 184,611	$ 139,677	$ 44,625	$ 38,286

4. Non-Pension Pre-retirement Leave Benefit

An actuarial report called the 'Mercer Valuation Report' has been issued. The report indicated that Hope Centre Health Care Inc. has an unrecorded actuarial valuation liability in the amount of $62,244 (2007 - $55,643).

5. Statement of Cash Flows
A statement of cash flows has not been prepared.

6. Economic Dependence
The organization is dependent on support from Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

7. Prior Year Figures
Certain of the prior year figures have been reclassified to conform to the current year presentation.

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

Auditors' Report

To the Members of
Klinic Incorporated

We have audited the statement of financial position of Klinic Incorporated as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 8, 2008

Chartered Accountants

Klinic Incorporated
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Fund	Wilson House Fund	Donation Fund	2008 Total	2007 Total
Revenues						
Grants and other revenue (Page 14)	$ 7,057,904	$ -	$ -	$ -	**$ 7,057,904**	$ 6,585,488
Donations	-	-	-	300,517	**300,517**	-
Interest	-	-	-	380	**380**	141
Amortization of deferred revenues	1,786	126,269	67,687	-	**195,742**	182,760
	7,059,690	126,269	67,687	300,897	**7,554,543**	6,768,389
Expenses						
Expenditures (Page 14)	6,948,008	-	-	-	**6,948,008**	6,561,228
Amortization	1,786	126,269	67,849	-	**195,904**	187,725
Special projects	-	-	-	10,147	**10,147**	10,637
	6,949,794	126,269	67,849	10,147	**7,154,059**	6,759,590
Excess (deficiency) of revenues over expenses from operations	109,896	-	(162)	290,750	**400,484**	8,799
Pre-retirement leave (Note 9)	(16,796)	-	-	-	**(16,796)**	168,271
Excess (deficiency) of revenues over expenses	$ 93,100	$ -	$ (162)	$ 290,750	**$ 383,688**	$ 177,070

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Fund	Wilson House Fund	Donation Fund	2008 Total	2007 Total
Fund balances, beginning of year	$ (158,417)	$ 3,120	$ 300,736	$ 18,291	**$ 163,730**	$ (13,340)
Prior period adjustments for						
Purchase of land (Note 10a)	-	-	160,500	-	**160,500**	160,500
Interfund loan (Note 10b)	160,500	-	(160,500)	-	**-**	-
Revenue overstated (Note 10c)	-	-	(142,633)	-	**(142,633)**	(142,633)
Fund balances, restated	2,083	3,120	158,103	18,291	**181,597**	4,527
Excess of revenues over expenses	93,100	-	(162)	290,750	**383,688**	177,070
Fund balances, end of year	$ 95,183	$ 3,120	$ 157,941	$ 309,041	**$ 565,285**	$ 181,597

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Financial Position
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2008 Total	2007 Restated Total
Assets						
Current						
Cash (Note 3)	$ 828,150	$ -	$ -	$ 31,872	**$ 860,022**	$ 499,612
Cash in trust - external projects (Note 4)	102,378	-	-	-	**102,378**	71,819
Receivables (Note 5)	980,003	-	-	-	**980,003**	665,445
Prepaid expenses	16,701	-	-	-	**16,701**	10,627
	1,927,232	-	-	-	**1,959,104**	1,247,503
Interfund balances (Note 6)	(346,027)	-	68,858	277,169	**-**	-
Capital assets (Note 7)	-	168,570	1,243,324	-	**1,411,894**	1,607,798
	$ 1,581,205	$ 168,570	$ 1,312,182	$ 309,041	**$ 3,370,998**	$ 2,855,301
Liabilities						
Current						
Payables and accruals	$ 817,398	$ -	$ -	$ -	**$ 817,398**	$ 714,732
Deferred revenue (Note 8)	151,120	-	-	-	**151,120**	1,517,867
Funds in trust - external projects (Note 4)	102,378	-	-	-	**102,378**	71,819
	1,070,896	-	-	-	**1,070,896**	2,304,418
Deferred revenue (Note 8)	-	165,450	1,154,241	-	**1,319,691**	2,304,418
Pre-retirement leave (Note 9)	415,126	-	-	-	**415,126**	369,286
	1,486,022	165,450	1,154,241	-	**2,805,713**	2,673,704
Fund balances						
Invested in capital assets	-	3,120	89,084	-	**92,204**	181,597
Unrestricted - retainable	95,183	-	68,857	309,041	**473,081**	-
	95,183	3,120	157,941	309,041	**565,285**	181,597
	$ 1,581,205	$ 168,570	$ 1,312,182	$ 309,041	**$ 3,370,998**	$ 2,855,301

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2008 Total	2007 Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 4,794,744	$ -	$ -	$ -	**$ 4,794,744**	$ 4,339,680
Province of Manitoba	1,522,860	-	-	-	**1,522,860**	1,246,101
Government of Canada	100,818	-	-	-	**100,818**	195,680
University of Winnipeg	93,877	-	-	-	**93,877**	126,760
Workshops and honouriums	25,549	-	-	-	**25,549**	12,901
Donations	18,119	-	-	300,517	**318,636**	12,536
External projects	511,208	-	-	-	**511,208**	282,508
Other sources	468,473	-	-	380	**468,853**	502,628
Cash paid for:						
Human resources and benefits	(6,226,859)	-	-	-	**(6,226,859)**	(5,742,735)
Materials and services	(741,302)	-	-	(10,147)	**(751,449)**	(828,825)
External projects	(480,513)	-	-	-	**(480,513)**	(350,378)
Net cash (deficiency) generated through operating activities	86,974	-	-	290,750	**377,724**	(203,144)
Cash flows from financing and investing activities						
Building campaign	-	-	13,245	-	**13,245**	50,986
Purchase of capital assets	-	-	-	-	**-**	(58,514)
Net cash used in financing and investing activities	-	-	13,245	-	**13,245**	(7,528)
Net increase (decrease) in cash	86,974	-	13,245	290,750	**390,969**	(210,672)
Cash beginning of year	374,687	-	179,142	17,602	**571,431**	602,103
Interfund adjustments	468,867	-	(192,387)	(276,480)	**-**	-
Cash end of year (Note 14)	$ 930,528	$ -	$ -	$ 31,872	**$ 962,400**	$ 391,431

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Klinic Incorporated
Notes to the Financial Statements
March 31, 2008

1. Purpose of the organization

Klinic Incorporated (Klinic) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling services, public education and training for the Province of Manitoba.

Klinic Incorporated is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets, liabilities, revenues and expenses related to the organization's activities including computer equipment.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets, excluding computer equipment, and the building at 870 Portage Avenue.

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization's building at 545 Broadway, known as The Wilson House.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

Klinic Incorporated follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the appropriate Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to the programs are recognized as revenue in the year in which the related expenses are incurred.

Training fees and fundraising revenue is recognized as revenue in the appropriate fund when the event is held.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased capital assets are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer Equipment	3 years	straight-line
Wilson House Fund		
Building	20 years	straight-line
Capital Fund		
Building	20 years	straight-line
Furniture and equipment	5 years	straight line

e) External projects

External projects are sponsored by the organization and directed by third party organizations. Klinic provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funding held in trust - external.

f) Accounting estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

Unless otherwise stated in these financial statements, the fair value of Klinic's financial assets and liabilities approximate their carrying value. It is management's opinion that the Klinic is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

Klinic has available an operating line of credit with an authorized limit of $25,000 (2007 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2008 (2007 - $NIL).

4. Cash held in trust - external projects

Funding held in trust for external projects is as follows:

	2008	2007
Manitoba Association of Family Violence Workers	$ 9,021	$ 12,254
Manitoba Public Health Association	15,966	7,937
Mothers Support Circle	434	434
Downtown Parent Coalition	59,038	42,325
Manitoba Network for Suicide Prevention	9,154	16,085
Klinic Institute	2,269	3,769
Trauma Forum	5,852	(909)
Pregnancy Prevention Media Campaign	1,857	1,857
Male Childhood Abuse Workshop	852	852
Wellness committee	(6,375)	(5,131)
GLBTT	3,021	-
Manitoba Harm Reduction	(137)	(6,506)
Healthy Living	17,880	5,419
West Central Community Guide	4,186	-
West Central Women's Resource Centre	(20,640)	(6,567)
	$ 102,378	$ 71,819

5. Receivables

	2008	2007
Winnipeg Regional Health Authority	$ 431,164	$ 508,456
Other	548,839	156,989
	$ 980,003	$ 665,445

6. Interfund balances

The interfund balances are non interest bearing and have no terms of repayment.

7. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Fund			
Building	2,401,770	2,248,525	153,245
Furniture and equipment	278,616	263,291	15,325
	2,680,386	2,511,816	168,570
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	270,757	1,082,824
	1,514,081	270,757	1,243,324
	$ 4,310,642	$ 2,898,748	$ 1,411,894

	Cost	Accumulated Amortization	2007 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 114,389	$ 1,786
Capital Fund			
Building	2,401,770	2,128,436	273,334
Furniture and equipment	278,616	256,955	21,661
	2,680,386	2,385,391	294,995
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	203,064	1,150,517
	1,514,081	203,064	1,311,017
	$ 4,310,642	$ 2,702,844	$ 1,607,798

8. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2008	2007
Beginning balance	$ 177,810	$ 152,155
Less: amounts recognized as revenue during the year	(65,022)	(11,981)
Add: amounts received related to next year	38,332	37,636
	$ 151,120	$ 177,810

Changes in the deferred revenue balances for the Capital Fund are as follows:

Beginning balance	$ 291,875	$ 354,727
Less: amounts recognized as revenue during the year	(126,425)	(118,246)
Add: amounts received related to next year	-	55,394
	$ 165,450	$ 291,875

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	$ 1,048,182	$ 1,077,791
Contributions received in the prior year (Note 10c)	-	142,633
Land (Note 10c)	-	(160,500)
Less: amounts recognized as revenue during the year	(67,687)	(62,725)
Add: contributions	173,746	50,983
	$ 1,154,241	$ 1,048,182
	$ 1,470,811	$ 1,517,867

Deferred revenue reported in the Capital Fund and Wilson House Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

9. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	2008	2007
Opening balance	$ 369,286	$ 301,251
Increase in obligation	45,840	68,035
Ending Balance	$ 415,126	$ 369,286
Pre-retirement leave		
Prior year recovery	$ -	$ 191,304
Current year recovery	29,044	45,002
Increase in obligation	(45,840)	(68,035)
	$ (16,796)	$ 168,271

10. Prior period adjustments

a) Purchase of land

The opening surplus has been adjusted to reflect donation revenue received to purchase the land of Wilson House. Donations received to purchase non depreciable capital assets are to directly increase net assets. The net assets and deferred contributions have been adjusted to reflect the proper accounting for this transaction.

b) Interfund loan

In 2002, the Operating Fund transferred funds to the Wilson House Fund to purchase property. The transaction was incorrectly recorded as a transfer of surplus funds and, as a result, the loan to Wilson House Fund was recorded as an increase in net assets of the Wilson House Fund. The intent had been to transfer the funds as a loan and should not have been recorded as an increas to net assets. During the year, Wilson House repaid the interfund loan to the Operating Fund.

9. Prior period adjustments - continued

c) Revenue overstated

In 2004, contributions received to purchase depreciable capital assets were recorded as revenue of the Wilson House Fund. The contribution should have been recorded as deferred contributions and amortized into income at the same rate as the capital assets are currently being depreciated. As a result, net assets have been overstated by the amount received in 2004 less the amortization that should have been recorded since 2004. The correction of $142,632 reflects the adjustment made to decrease net assets and increase deferred contributions.

11. Pension

Effective June 1, 2003, Klinic adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, Klinic's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $332,683 (2007 - $ 301,619) was expensed for the purpose of the Plan.

Prior to June 1, 2003 Klinic had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

12. Economic dependence

The volume of financial activity undertaken by Klinic Incorporated with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

13. Interfund transfers

During the year, a total of $NIL (2007 - $3,120) was transferred from the Operating Fund to the Capital Fund to fund the cash outlays for capital asset acquisitions.

14. Cash balances

	2008	2007
Operating Fund		
Cash and short-term investments	$ 828,150	$ 302,868
Cash in trust - external projects	102,378	71,819
	930,528	374,687
Wilson House Fund	-	179,142
Donation Fund	31,872	17,602
	$ 962,400	$ 571,431

Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Teen Talk	Facility	Klinic on Campus	Rural Farm	Klinic on Broadway	Stepping Stones	Dream Catcher	2008 Total	2007 Total
Revenues										
Winnipeg Regional Health Authority										
Fixed payments	$ 4,424,285	$ 180,723	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,605,008	$ 4,321,237
Other funding	64,098	-	-	-	-	-	-	-	64,098	63,124
Province of Manitoba										
Manitoba Health	253,933	130,600	-	-	307,001	-	-	47,500	739,234	645,470
Healthy Child	-	253,900	-	-	-	-	-	-	253,900	253,900
Education	-	15,000	-	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	50,000	-	-	-	-	-	-	-	50,000	50,000
Manitoba Department of Family Services	-	-	472,820	-	-	-	-	-	472,820	432,000
Other departments	80,129	-	-	-	-	-	-	-	80,129	-
Government of Canada										
Canada Drug Strategy	4,246	-	-	-	-	-	-	-	4,246	-
Health Canada	-	-	-	-	-	-	-	-	-	114,895
Human Resources Development Canada	-	67,037	-	-	-	-	-	-	67,037	-
National Homelessness Initiative	-	-	-	-	-	-	-	-	-	6,683
National Crime Prevention Centre	-	-	-	-	-	-	77,338	-	77,338	70,439
Workers Compensation Board	54,999	-	-	-	-	-	-	-	54,999	55,000
Winnipeg Foundation	80,008	-	-	-	-	-	-	-	80,008	-
University of Winnipeg	-	-	-	105,957	-	-	-	-	105,957	105,910
Other	280,283	10,000	4,235	-	30	10,878	-	480	306,906	405,671
Workshops	24,178	-	-	-	-	-	-	-	24,178	11,851
Donations	13,969	-	472	-	3,678	-	-	-	18,119	2,389
Interest	31,928	-	-	-	-	-	-	-	31,928	16,813
Deferred revenue from prior year	4,999	-	-	-	-	-	-	-	4,999	14,906
Total revenues	5,372,055	657,460	477,527	105,957	310,709	10,878	77,338	47,980	7,057,904	6,585,488
Expenditures										
Salaries	3,451,912	536,260	419,933	89,465	209,269	-	56,832	41,688	4,775,359	4,451,299
Medical remuneration	307,627	-	-	3,200	-	-	-	-	310,827	319,201
Purchased services	282,991	-	-	-	-	-	-	-	282,991	265,195
Benefits and payroll tax	598,310	66,289	72,126	15,127	32,924	-	8,656	6,998	820,430	753,155
Food and dietary supplies	26,539	801	336	-	997	-	-	-	28,673	18,474
Fundraising	703	-	-	-	-	-	-	-	703	25,285
Housekeeping	10,706	-	-	-	-	-	-	-	10,706	7,129
Medical supplies	25,701	-	-	1,554	-	-	-	-	27,255	29,390
Office supplies	117,800	15,400	10,876	635	17,939	-	1,468	973	165,091	163,942
Other	137,876	46,083	6,421	221	28,118	-	10,382	1,043	230,124	255,436
Professional fees	46,590	-	3,000	-	-	-	-	-	49,590	25,620
Rent	256	-	8,576	-	17,419	-	-	-	26,251	24,741
Repairs and maintenance	109,252	1,386	508	-	4,043	13,294	-	-	128,483	120,325
Pharmacy and drugs	2,009	-	-	-	-	-	-	-	2,009	4,025
Reproductive health supplies	16,043	-	-	-	-	-	-	-	16,043	27,682
Utilities and property taxes	56,577	-	-	-	-	10,336	-	-	66,913	64,539
Volunteer services	6,560	-	-	-	-	-	-	-	6,560	5,790
Total expenditures	5,197,452	666,219	521,756	110,202	310,709	23,630	77,338	50,702	6,948,008	6,561,228
Excess (deficiency) of revenues over expenditures	$ 174,603	$ (8,759)	$ (44,229)	$ (4,245)	$ -	$ (12,752)	$ -	$ (2,722)	$ 109,896	$ 24,260

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

RUNCHEY MIYAZAWA ABBOTT

AUDITORS' REPORT

To the Board of Directors of
LHC PERSONAL CARE HOME INC.:

We have audited the statement of financial position of **LHC PERSONAL CARE HOME INC.** as at March 31, 2008 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by other auditors.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

LHC PERSONAL CARE HOME INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$	301,806
Restricted cash - resident trust	21,722	22,250
Restricted cash - reserve fund	65,346	52,667
Restricted investment - reserve fund	51,728	50,839
Accounts receivable (note 3)	14,547	3,113
Due from Winnipeg Regional Health Authority (note 4)	76,027	
Due from a related party (note 8)	6,212	
Vacation entitlement receivable (note 5)	138,650	138,650
Prepaid expenses	9,774	10,195
	384,006	579,520
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 5)	43,774	123,081
CAPITAL ASSETS (note 6)	10,286,386	10,687,488
	10,714,166	11,390,089
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (note 7)	167,756	
Accounts payable and accrued liabilities	90,702	44,693
Resident trust payable	21,722	22,250
Accrued vacation payable	222,119	210,087
Due to Winnipeg Regional Health Authority (note 4)		504,628
Due to a related party (note 8)		62,360
Demand loan payable (note 9)	160,597	215,557
	662,896	1,059,575
COMMITMENTS AND CONTINGENCIES (note 10)		
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 5)	64,321	143,628
DEFERRED CONTRIBUTIONS (note 11)	9,176,651	9,509,225
DEFERRED FUNDS	4,172	4,892
	9,908,040	10,717,320
NET ASSETS		
NET ASSETS (page 4)	806,126	672,769
	$ 10,714,166	11,390,089

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

LHC PERSONAL CARE HOME INC.

STATEMENT OF OPERATIONS

For the year ended March 31, 2008

	2008	2007
REVENUE		
Winnipeg Regional Health Authority	$ 3,894,481	3,649,860
Resident charges	1,896,759	1,842,957
Other	55,654	40,544
	5,846,894	5,533,361
EXPENDITURES		
Electricity	110,423	95,961
Gas	84,609	82,099
Health & Education Levy	73,567	66,728
Insurance	39,091	39,014
Medical remuneration	19,100	9,167
Medical supplies and equipment	140,504	109,793
Operational supplies and services	230,940	189,471
Other employee benefits	462,477	395,334
Plant maintenance	46,258	52,991
Pre-retirement leave	8,982	
Professional fees	31,392	46,994
Property taxes	108,618	108,780
Purchased meals	517,011	513,508
Purchased services (note 8)	385,121	388,705
Resident travel	14,993	21,849
Salaries	3,538,191	3,171,715
Water and waste	39,844	34,606
Workers Compensation premiums	74,667	87,301
	5,925,788	5,414,016
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE OTHER ITEMS AND PRIOR YEAR ADJUSTMENTS	(78,894)	119,345
OTHER ITEMS		
Amortization of deferred contributions	415,514	413,888
Amortization of capital assets	(415,514)	(413,888)
Change in retirement obligation	79,307	(7,081)
	79,307	(7,081)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR BEFORE PRIOR YEAR ADJUSTMENTS	413	112,264
PRIOR YEAR ADJUSTMENTS		
Winnipeg Regional Health Authority	132,944	
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 4)	$ 133,357	112,264

The accompanying notes are an integral part of these financial statements.

LHC PERSONAL CARE HOME INC.

STATEMENT OF NET ASSETS

March 31, 2008

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2008	TOTAL 2007
NET ASSETS, beginning of year	$ 1,066,211	(393,442)	672,769	560,505
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		133,357	133,357	112,264
PURCHASE OF CAPITAL ASSETS	14,412	(14,412)		
TRANSFER	(14,412)	14,412		
NET ASSETS, end of year	$ 1,066,211	(260,085)	806,126	672,769

The accompanying notes are an integral part of these financial statements.

LHC PERSONAL CARE HOME INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	$ 133,357	112,264
Adjustments for		
Amortization of capital assets	415,514	413,888
Net (increase) decrease in resident trust	528	(1,823)
Net (increase) decrease in reserve funds	(12,679)	22,858
Net decrease in deferred contributions	(332,574)	(380,218)
Change in deferred funds	(720)	425
	203,426	167,394
Changes in non-cash working capital balances		
Accounts receivable	(11,434)	946
Prepaid expenses	421	(388)
Pre-retirement entitlement receivable	79,307	(7,081)
Accounts payable and accrued liabilities	46,009	(1,287)
Resident trust payable	(528)	1,823
Accrued vacation payable	12,032	15,992
Accrued pre-retirement entitlement	(79,307)	7,081
	249,926	184,480
INVESTING ACTIVITIES		
Purchase of capital assets	(14,412)	(5,690)
Net increase of investments	(889)	(50,839)
	(15,301)	(56,529)
FINANCING ACTIVITIES		
Due to Winnipeg Regional Health Authority	(580,655)	(24,651)
Due to a related party	(68,572)	23,150
Repayment of demand loan	(54,960)	
	(704,187)	(1,501)
NET INCREASE (DECREASE) IN CASH	(469,562)	126,450
CASH POSITION, BEGINNING OF YEAR	301,806	175,356
CASH POSITION, END OF YEAR	$ (167,756)	301,806

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1. ENTITY DEFINITION

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The organization is principally involved in providing licensed personal care services to 116 residents. As the entity is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Changes in Accounting Policies

Effective April 1, 2007 the organization adopted the new accounting standards relating to financial instruments as issued by the Canadian Institute of Chartered Accountants (CICA). The new standards are; Section 3855 Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865 Hedges, all of the CICA Handbook.

Financial Instruments

The new standards require that all financial assets and liabilities be initially recognized at fair value. In addition, the standard requires that financial assets be classified as either "Held for trading", "Available for sale", "Held to maturity" or "Loans and receivables". Financial liabilities are to be classified as either "Held for trading" or "Other". After initial recognition, measurement of financial assets or liabilities is dependant on their classification. Financial assets or liabilities classified as "Held to maturity", "Loans and receivables" or "Other" are measured at amortized cost. Financial assets or liabilities classified as "Held for trading" are measured at fair value with gains or losses recognized in net income. Financial assets classified as "Available for sale" are measured at fair value with gains or losses recognized in net assets.

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable. The organization has classified cash and short-term investments as "Held for trading", accounts receivable and advances from a related party as "Loans and receivables", accounts payable and accrued liabilities, advances to a related party and demand loan payable as "Other". The fair value of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable approximate their carrying value. The classification of the financial assets and liabilities does not affect the organization's financial statements at the time of adoption. As such, the opening net assets of the organization have not been adjusted for the changes in the accounting policy and, as provided for under the transitional provisions, the financial statements for prior periods have not been restated.

Transaction costs for financial instruments are expensed in the period incurred and recognized in net income.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Hedges

Section 3865 Hedges establishes standards about when and how hedge accounting may be applied. Hedge accounting under this standard is optional. The organization does not have any outstanding hedges in place, and as such the adoption of this standard does not impact their financial statements.

Capital Assets
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	- 2.5%
Furniture, fixtures and equipment	- 10%
Land improvements	- 10%

Revenue Recognition
The organization follows the deferral method of accounting for contributions which include donations and government grants

The the Health Insurance Act and regulations hereto, the organization is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the organization's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the organization in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the organization other than those set forth in the service purchase agreement.

b) Surpluses - The organization may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Contributed Services
A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Employee Future Benefits
Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

3. ACCOUNTS RECEIVABLE

		2008	2007
Receivable from residents	$	6,082	481
Accrued interest		2,046	2,225
Other		6,419	407
	$	14,547	3,113

4. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

		2008	2007
WRHA pre-retirement liability funding	$	30,126	46,562
Flu immunization costs		1,077	555
Median adjustment		299,563	93,785
Louis Riel day accrual		9,980	
Leap year residential charges		5,261	4,889
Pre-retirement payout		7,695	4,523
MNU contract baseline		32,489	
Staffing increase hours of care		34,297	
MNU LTD funding		6,102	
Constant care			2,924
Dialysis transportation		699	1,514
Accreditation survey fee			4,250
Residential charges		(46,285)	(461,188)
Capital interest		(322)	(196,887)
Other			(5,555)
Bridge funding		(304,655)	
	$	76,027	(504,628)

The accompanying notes are an integral part of these financial statements.

5. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WHRA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations are capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the organization). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

6. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 189,282		189,282	
Buildings	12,324,767	2,462,607	12,324,767	2,154,415
Furniture, fixtures and equipment	1,059,768	836,791	1,053,062	731,199
Land improvements	17,289	5,322	9,583	3,592
	13,591,106	3,304,720	13,576,694	2,889,206
Cost less accumulated amortization	$ 10,286,386		10,687,488	

Amortization of capital assets for the year ended March 31, 2008 is $415,514 (2007 - $413,888).

7. BANK INDEBTEDNESS

The organization has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand. At March 31, 2008 the organization had $25,890 available for its use.

8. RELATED PARTY TRANSACTIONS

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services.

The following table summarizes the organization's related party transactions:

		2008	2007
Administration	$	**149,010**	165,197
Finance		**168,728**	167,577
Maintenance		**67,383**	55,930
		385,121	388,704
Dietary		**517,011**	513,508
Information systems			44,215
	$	**902,132**	946,427

The transactions are in the normal course of operations and are recorded at the exchange amount.

At the end of the year, the amount due from (to) a related party is as follows:

		2008	2007
Lions Manor	$	**6,212**	(62,360)

The balances are non-interest bearing, due on demand and are unsecured.

9. DEMAND LOAN PAYABLE

		2008	2007
Line of Credit - Royal Bank of Canada, repayable in monthly principal payment of $4,580 and monthly interest payments prime minus 0.8%. The line of credit is repayable on demand and is secured by a borrowing resolution and a letter of comfort from Manitoba Health	$	**160,597**	215,557

10. COMMITMENTS AND CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in prospect at any time. As at March 31, 2008, no litigation is in process. With respect to potential claims at March 31, 2008, management believes the organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the organization's financial position.

11. DEFERRED CONTRIBUTIONS

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

		2008	2007
Balance, beginning of year	$	9,405,719	9,758,957
Contributions - Winnipeg Regional Health Authority		54,960	60,650
Transfers from equipment funding		14,412	
Less amounts amortized to revenue		(415,514)	(413,888)
Balance, end of year	$	9,059,577	9,405,719

Unspent major repairs funding

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

		2008	2007
Balance, beginning of year	$	28,368	20,688
Contributions - Winnipeg Regional Health Authority		7,680	7,680
Balance, end of year	$	36,048	28,368

Unspent equipment funding

Unspent equipment funding represents the unspent amount of funding received for the replacement of equipment. Equipment funding is not recorded as revenue in the statement of operations.

		2008	2007
Balance, beginning of year	$	75,138	54,838
Contributions - Winnipeg Regional Health Authority		20,300	20,300
Purchases		(14,412)	
Balance, end of year	$	81,026	75,138
Total deferred contributions balance	$	9,176,651	9,509,225

12. PENSION PLAN

Substantially all of the employees of the organization are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the"Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten year prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the organization on behalf of its employees amounted to $194,879 (2007 - $159,705) and are included in the statement of operations.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation. Excess of revenues over expenditures remains as previously reported.

To the Directors of Luther Home Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 23, 2008

Chief Executive Officer

Finance Manager

To the Directors of Luther Home Corporation:

We have audited the balance sheet of Luther Home Corporation as at March 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, except for the specifically identified items disclosed in note 2 that are required as a result of the operating agreements with Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The prior year's financial statements were audited by another firm of public accountants.

Winnipeg, Manitoba

May 23, 2008

Meyers Norris Penny LLP

Chartered Accountants

Luther Home Corporation

Balance Sheet

As at March 31, 2008

	2008	2007
Assets		
Current		
Cash and marketable securities *(Note 4)*	1,302,974	1,269,396
Accounts receivable	241,292	176,449
Prepaid expenses	45,706	58,439
Construction in progress	7,000	-
	1,596,972	1,504,284
Due from Winnipeg Regional Health Authority *(Note 5)*	277,697	250,436
Capital assets *(Note 6)*	6,149,012	6,358,895
	8,023,681	8,113,615
Liabilities		
Current		
Accounts payable and accrued liabilities	995,620	893,926
Current portion of long term debt	282,745	320,522
Accrued benefit entitlements	195,518	166,827
	1,473,883	1,381,275
Long term debt *(Note 7)*	3,125,687	3,408,440
Due to related parties *(Note 8)*	331,815	261,314
Deferred Contributions		
Capital assets	881,823	925,648
Subsidy surplus reserve *(Note 9)*	66,334	63,534
Replacement reserve *(Note 10)*	336,572	318,169
	6,216,114	6,358,380
Net Assets		
Invested in capital assets	872,707	697,656
Unrestricted	934,860	1,057,579
	1,807,567	1,755,235
	8,023,681	8,113,615

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Luther Home Corporation

Statement of Operations

For the year ended March 31, 2008

	2008	*2007*
Revenues		
Long term care *(Schedule 1)*	**4,852,416**	4,536,738
1080 Powers *(Schedule 2)*	**498,201**	491,718
1084 Powers *(Schedule 3)*	**356,729**	376,634
364 Leila *(Schedule 4)*	**319,483**	264,726
Adult Day Program *(Schedule 5)*	**107,822**	106,157
	6,134,651	5,775,973
Expenses		
Long term care *(Schedule 1)*	**4,797,876**	4,383,388
1080 Powers *(Schedule 2)*	**498,201**	491,718
1084 Powers *(Schedule 3)*	**356,729**	376,634
364 Leila *(Schedule 4)*	**290,885**	257,824
Adult Day Program *(Schedule 5)*	**109,937**	104,866
	6,053,628	5,614,430
Excess of revenues over expenses before benefit bank value change	81,023	161,543
Benefit bank value change		
Vacation	(28,691)	(3,827)
Excess of revenues over expenses	52,332	157,716

The accompanying notes are an integral part of these financial statements

Luther Home Corporation

Statement of Changes in Net Assets

For the year ended March 31, 2008

	Invested in capital assets	*Unrestricted*	*2008 Total*	*2007 Total*
Net assets, beginning of year	697,656	1,057,579	1,755,235	1,597,519
Excess (deficiency) of revenues over expenses	(107,695)	160,027	52,332	157,716
Capital asset additions	108,877	(108,877)	-	-
Debt repayment	173,869	(173,869)	-	-
Net assets, end of year	872,707	934,860	1,807,567	1,755,235

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Luther Home Corporation was incorporated on May 25, 1968 as a non-profit organization without share capital. The mission of the Corporation is to minister with love and compassion to the physical, mental, spiritual and social needs of persons requiring care within their facility and surrounding community.

Luther Home Corporation consists of four properties: 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street and 364 Leila Avenue.

The property at 1081 Andrews Street is a long term care facility.

The property at 1080 Powers Street is a subsidized senior housing project.

The property at 1084 Powers Street is a subsidized senior housing project.

The property at 364 Leila Avenue is a group home for mentally challenged individuals.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and to comply with the operating agreement with the Manitoba Housing Renewal Corporation (MHRC) except as explained below and include the following significant accounting policies:

Revenue recognition

The Corporation uses the deferral method of accouting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after management's evaluation of collectibility and an appropriate allowance provided for uncollectible accounts. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Corporation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Capital assets are recorded at cost less capital grants and accumulated amortization. Amortization is recorded at rates intended to amortize the value of the capital assets over their estimated useful lives. The annual rates are as follows:

1081 Andrews Street

Building	straight line over 20 and 50 years
Automotive	straight line over 8 years
Computer and system software	straight line over 4 years
Furniture, equipment, improvements	straight line over 10 and 20 years

In the year of acquisition, amortization is taken at one-half of the above rates.

364 Leila Avenue

Building	straight line over 40 years
Furniture and fixtures	straight line over 10 years

In the year of acquisition, amortization is taken at one-half of the above rates.

1080 Powers Street

Amortization is provided on the building, furniture and equipment purchased from loans by MHRC at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

1084 Powers Street

Amortization is provided on the building, furniture and equipment purchased with loans from Canada Mortgage and Housing Corporation (CMHC) at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Income taxes

The Corporation is a registered non-profit organization, and as such, it is exempt from income taxes under Section 149 of the Income Tax Act.

Replacement reserve

In accordance with the guidelines established by MHRC, Winnipeg Regional Health Authority (WRHA) and CMHC, the Corporation has established reserves for future expenditures.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized on the same basis as the respective assets are amortized.

Cash flow statement

A cash flow statement has not been presented with these financial statements, as the required information is readily apparent from the other financial statements.

2. Signficant accounting policies *(Continued from previous page)*

Pre-retirement entitlement obligation

1081 Andrews Street has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age of 65; or
iv) terminate employment at any time due to permanent diability.

The Corporation has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the Winnipeg Regional Health Authority up to a pre-determined percentage. Payments beyond the pre-determined percentage are reflected as an expense in the statement of operations.

Financial instruments

Held for trading:

The Corporation has classified cash and marketable securities as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Corporation has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Corporation has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

3. Change in accounting policies

Financial instruments

During 2007, the Corporation retroactively adopted new presentation and disclosure recommendations with respect to financial instruments. The adoption of the standard resulted in no change to the comparative financial statements.

4. Cash and marketable securities

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 4.11% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to certain restrictions.

	2008	*2007*
Cash and marketable securities, restricted	**405,478**	387,582
Cash and marketable securities, unrestricted	**897,496**	881,814
	1,302,974	1,269,396

5. Due from Winnipeg Regional Health Authority (WRHA)

	2008	*2007*
Vacation entitlement	**133,100**	133,100
Pre-retirement asset entitlement	**144,597**	117,336
	277,697	250,436

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet. The WRHA has indicated that it will repay this receivable over a 25 year period.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the change in the pre-retirement obligation. For the period April 1, 2006 to March 31, 2008, the WRHA fully funded changes in the pre-retirement obligation.

Confirmation has been received from the WRHA guaranteeing the payment of this receivable by the Province. Therefore, a write down of this receivable is not required.

6. Capital assets

	Cost	*Accumulated amortization*	*2008 Net book value*	*2007 Net book value*
Land - 1081 Andrews Street	**51,952**	-	**51,952**	51,952
Buildings - 1081 Andrews Street	**2,448,584**	**824,525**	**1,624,059**	1,588,337
Buildings - 364 Leila Avenue	**187,555**	**67,281**	**120,274**	123,556
Automotive - 1081 Andrews Street	**74,399**	**48,236**	**26,163**	29,627
Computer and system software - 1081 Andrews Street	**139,237**	**134,163**	**5,074**	13,791
Furniture, equipment and improvements - 1081 Andrews Street	**2,431,566**	**1,394,812**	**1,036,754**	1,119,439
Furniture and fixtures - 364 Leila Avenue	**24,404**	**19,780**	**4,624**	5,421
Land, building and equipment - 1080 Powers	**2,848,190**	**263,706**	**2,584,484**	2,619,711
Land, building and equipment - 1084 Powers	**1,925,129**	**1,229,501**	**695,628**	807,061
	10,131,016	**3,982,004**	**6,149,012**	6,358,895

7. Long-term debt

	2008	*2007*
Mortgage loan, with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387 including interest and secured by the land and building at 1080 Powers Street and due July 1, 2027.	**2,206,648**	2,241,876
Mortgage loan, with CMHC, bearing interest at 6.875% per annum, repayable in monthly instalments of $3,532 including interest, secured by the land and building at 1081 Andrews Street and due January 1, 2020.	**344,298**	362,666
Mortgage loan, with MHRC, bearing interest at 10% per annum, repayable in monthly instalments of $1,408 including interest, secured by the building at 364 Leila Avenue and due March 1, 2011.	**107,876**	113,819
Mortgage loan, with CMHC, bearing interest at 3.65% per annum, repayable in monthly instalments of $9,673 including interest, secured by the land and building at 1084 Powers Street and due October 1, 2008.	**66,835**	178,267
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75 %, repayable in monthly principal payments of $5,580, secured by an assignment of proceeds of the contract with the WRHA for the building improvements and due September 1, 2013.	**352,409**	419,369
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $2,633, secured by an assignment of proceeds of the contract with the WRHA for the laundry project and due February 1, 2016.	**279,133**	310,733
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $4,250, secured by an assignment of proceeds of the contract with the WRHA for the dining room project and due March 1, 2009.	**51,233**	102,232
	3,408,432	3,728,962
Less: current portion	282,745	320,522
	3,125,687	3,408,440

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	282,745
2010	171,307
2011	177,828
2012	185,228
2013	193,339

8. Related party transactions

Amounts due to related parties are unsecured, interest bearing, and are not due within the next fiscal year. Interest earned by 1081 Andrews Street on the cash and marketable securities balance is allocated to the related parties based on their monthly balances. The Memorial Fund and Management Services are divisions of Luther Home Corporation.

A balance of $69,941 (2007 - $16,891) is due to the Memorial Fund and a balance of $261,874 (2007 - $244,423) is due to Management Services.

9. Subsidy surplus reserve

Under the terms of the agreement with CMHC, excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of $500 per unit plus interest. The monies that comprise the reserve are to be deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first then principal. When the fund has attained the maximum of $500 per unit, up to 10% of the unused subsidy during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

10. Replacement reserve

1081 Andrews Street
Under the terms of the agreement with WRHA, the replacement reserve account is to be credited in the amount of $18,776 (2007 - $18,776) annually. These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by WRHA from time to time. The funds in the account may require approval by the WRHA.

1080 Powers Street
Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of $15,000 annually until it accumulates to $525,000 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by MHRC from time to time. The funds in the account may only be used as approved by MHRC. Withdrawals are credited to interest first and then principal.

1084 Powers Street
Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of $13,700 (2007 - $13,700). These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

11. Federal assistance

1084 Powers Street received federal assistance through CMHC pursuant to section 56.1 of the National Housing Act to reduce mortgage interest to 2% to enable the project to provide housing to low income individuals. The amount of assistance received in the year was $63,019 (2007 - $82,344).

12. Provincial home care

1084 Powers Street received $277,674 (2007 - $263,919) from the WRHA - Home Care Division during the year as a reimbursement of staff salaries and benefits paid.

13. Contingencies

1084 Powers Street
The MHRC provided a $12,251 forgivable "RRAP" loan to finance the upgrading of room 205 for handicap needs. The loan will be forgiven August 1, 2008 as long as:
i) The loan is used only to pay for designated repairs;
ii) Luther Home Corporation continues to own and occupy 1084 Powers Street until August 1, 2008.
If these conditions are not met, the loan plus 5.75% interest must be repaid. The cost of the upgrade and the loan proceeds were recorded through the replacement reserve.

1080 Powers Street
MHRC is currently reviewing $29,252 of 2004 repairs and maintenance costs that are above the $38,500 approved budget amount. Approval is pending. In 2005, 2006, 2007 and 2008 repairs and maintenance costs exceed the approved budget amounts by $11,322, $18,744, $20,804 and $19,646 respectively. If MHRC does not approve the excess expenditures they will have to be repaid to MHRC.

14. Comprehensive income

All gains and losses, including those arising from all financial instruments, have been recognized in excess of revenues over expenses for the year. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.

15. Economic dependence

A significant portion of Luther Home's revenues are received from the WRHA, MHRC, and CMHC. Of total revenue, 67% (2007 - 67%) is from these organizations.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. In 2007, the results of operations for 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street, and 364 Leila Avenue were reported on in four seperate financial statements. In 2008, the results of operations of these buildings have been combined into one financial statement.

SIMON HALL CHARTERED ACCOUNTANT INC.
400 - 208 Edmonton Street
Winnipeg, Manitoba. (204)943-9931 (T)
R3C 1R7 (204)943-9932 (F)

AUDITOR'S REPORT

TO THE DIRECTORS,
M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
Winnipeg, Manitoba.

We have audited the statement of financial position of the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2008 and the statements of operations, of changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to other revenues, excess of revenues over expenditures, assets and net assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SIMON HALL
CHARTERED ACCOUNTANT INC.

May 6, 2008
Winnipeg, Manitoba

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2008

	Operating Fund	Special Projects Fund	Capital Asset Fund	Investment In Union Centre Fund	Total 2008	Total 2007
	$	$	$	$	$	$
CURRENT ASSETS:						
Cash (note 3)	177,306	-	-	-	177,306	122,160
Short term investments (note 4)	146,021	175,000	-	-	321,021	306,345
Accounts receivable (note 5)	96,004	-	-	-	96,004	102,524
Prepaid expenses (note 6)	-	-	-	-	-	1,943
Total Current Assets	419,331	175,000	-	-	594,331	532,972
CAPITAL ASSETS: (note 7)	-	-	2,640	-	2,640	4,845
INVESTMENTS: (note 8)	-	-	-	204,669	204,669	204,669
TOTAL ASSETS	419,331	175,000	2,640	204,669	801,640	742,486
CURRENT LIABILITIES:						
Accounts payable & accrued liabilities (note 9)	144,139	-	-	-	144,139	129,628
Repayable to WRHA (note 10)	98,283	-	-	-	98,283	89,981
Deferred revenue (note 11)	49,095	-	-	-	49,095	48,295
Total Current Liabilities	291,517	-	-	-	291,517	267,904
DEFERRED CONTRIBUTIONS:						
Capital assets (note 12)	-	-	2,640	-	2,640	4,844
Total Deferred Contrib.	-	-	2,640	-	2,640	4,844
CONTINGENT LIABILITIES: (note 13)						
FUND BALANCES:						
Invested in Union Ctr.	-	-	-	204,669	**204,669**	204,669
Internally restricted	-	175,000	-	-	**175,000**	175,000
Unrestricted	127,814	-	-	-	**127,814**	116,069
Total Fund Balances	127,814	175,000	-	204,669	**507,483**	495,738
TOTAL LIABILITIES & FUND BALANCES	419,331	175,000	2,640	204,669	**801,640**	742,486

APPROVED BY BOARD:

_____ : Director

_____ : Director

_____ : Director

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2008 $	Total 2007 $
REVENUES:						
WRHA: Medical Clinic	758,619	-	-	-	758,619	741,952
WRHA: recoveries	(28,302)	-	-	-	(28,302)	(35,482)
Interest & other	15,055	-	-	-	15,055	12,634
MB Labour & Immigration	33,717	-	-	-	33,717	19,218
Fundraising	10,211	-	-	-	10,211	11,455
WCB Health Projects	101,839	-	-	-	101,839	62,538
Deferred contribution for capital assets	-	-	2,204	-	2,204	2,204
Repayment of funding	-	-	-	-	-	-
United Way Projects	-	-	-	-	-	19,550
Deferred revenue in	-	-	-	-	-	53,770
Deferred revenue out	-	-	-	-	-	(4,000)
Total Revenues	891,139	-	2,204	-	893,343	883,839
EXPENDITURES - OPERATING:						
Amortization on equip	-	-	2,204	-	2,204	2,204
Audit & accounting	8,407	-	-	-	8,407	4,983
Accreditation	-	-	-	-	-	1,267
Computer software &	4,994	-	-	-	4,994	5,557
Bank charges	13	-	-	-	13	
Delivery	184	-	-	-	184	265
Employee benefits	69,759	-	-	-	69,759	69,521
Equipment rental & minor purchases	17,312	-	-	-	17,312	12,874
Fundraising	712	-	-	-	712	648
Insurance	5,971	-	-	-	5,971	1,088
Memberships	375	-	-	-	375	-
Legal	120	-	-	-	120	20
License fees	900	-	-	-	900	900
Meeting Expense	2,487	-	-	-	2,487	789
Miscellaneous	924	-	-	-	924	4,537
Newsletter	11,172	-	-	-	11,172	9,717
Printing/Stationery & Office Supplies	11,748	-	-	-	11,748	15,479
Postage	1,233	-	-	-	1,233	(1,939)
Pre-retirement	8,091	-	-	-	8,091	-
	7,208	-	-	-	7,208	6,374
Public relations	9,722	-	-	-	9,722	29,161
Purchased services	53,192	-	-	-	53,192	29,036
Repairs & main	626	-	-	-	626	1,952

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2008 $	Total 2007 $
Rent	70,564	-	-	-	70,564	70,509
Staff education & recruitment	2,280	-	-	-	2,280	3,491
Staff parking	3,475	-	-	-	3,475	3,509
Staff travel & exp.	7,303	-	-	-	7,303	8,818
Stipend	232	-	-	-	232	-
Stretch/Massage/Breathe	9,484	-	-	-	9,484	5,240
Telephone	8,671	-	-	-	8,571	9,213
20th Anniversary	-	-	-	-	-	-
Wages & salaries	562,335	-	-	-	562,335	572,861
Total Operating Expend.	879,394	-	2,204	-	881,598	868,074
EXCESS OF REVENUE OVER EXPENDITURES	11,745	-	-	-	11,745	15,765

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN FUND BALANCES

AS AT MARCH 31, 2008

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2008 $	Total 2007 $
Fund balance, beginning of year	116,069	175,000	-	204,669	495,738	479,973
Surplus (deficiency) for the year	11,745	-	-	-	11,745	15,765
Purchase of capital assets	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Closing fund balance	127,814	175,000	-	204,669	507,483	495,738

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2008

	2008 $	2007 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	11,745	15,765
Add: amortization	2,204	2,204
	13,949	17,969
Change in working capital:		
Accounts receivable	6,520	(4,437)
Short term investments	(14,675)	(11,193)
Prepaid expenses	1,943	1,058
Accounts payable & accrued liabilities	20,511	1,267
Repayable to WRHA	28,302	35,482
Deferred revenue	800	(39,799)
	43,401	(17,622)
Cash from (used for) operations	57,350	347
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	(2,204)	(2,204)
Cash from (used for) investing & financing	(2,204)	(2,204)
Increase (decrease) in cash for the year	55,146	(1,857)
Cash, beginning of year	122,160	124,017
Cash, end of year (note 3)	177,306	122,160

"See Auditor's Report and Accompanying Notes"

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

1. FORM OF ORGANIZATION

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. was incorporated as a non-share, non-profit organization under the Cooperatives Act of Manitoba and is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act. The purpose of the organization is to assist individuals and groups in Manitoba to improve workplace health and safety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations, which encompass the following principles:

i) Capital Assets

Capital asset acquisitions are accounted for on the following basis:

Purchases of computers, equipment and furniture are capitalized in the year of their purchase and are amortized over their useful life on a straight line basis over the following estimated number of years:

Computers	3 years
Office furniture	10 years
Equipment	10 years

Revenues received which are designated for capital purchases are deferred in the year of receipt and recognized annually at the same rate as the amortization on the related assets.

ii) Investments

Investments are recorded at lower of cost and market value.

iii) Recognition of Revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from Winnipeg Regional Health Authority is recognized when received or receivable; any subsequent settlement is shown as an adjustment to income in the year of adjustment.

iv) Fund Accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabilities, revenues, and expense related to the Centre's capital assets.

The Special Projects fund reports on revenues and expenses related to the allocation to and from the Operating Fund by the vote of the Board of Directors of internally restricted funds to be used on extraordinary projects of the Centre.

The Union Centre Building Investment fund reports on the assets, liabilities, revenues and expenses related to the Centre's investment in the Manitoba Federation of Labour Building at 275 Broadway in Winnipeg, Manitoba.

v) Financial Instruments

It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from its financial instruments.

vi) Use of Estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

3. CASH

	2008 $	2007 $
Operating	177,217	122,073
Shares	89	87
	177,306	122,160

4. SHORT TERM INVESTMENTS

Daily interest account	269,964	256,942
Term deposits	49,873	48,334
Surplus shares	1,184	1,069
	321,021	306,345

5. ACCOUNTS RECEIVABLE

	2008 $	2007 $
Trade receivables	93,442	99,678
Receiver General (GST)	2,561	2,846
	96,003	102,524

6. PREPAID EXPENSES

Xerox contract	-	-
ImagiNet	-	-
Insurance	-	1,943
Momentum Software	-	-
	-	1,943

7. CAPITAL ASSETS

	Cost $	Accumulated Amortization $	Net Book Value 2008 $	Net Book Value 2007 $
Audio visual equipment	11,738	(11,738)	-	569
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,053	(28,271)	782	1,490
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(33,793)	319	861
Security system	874	(874)	-	-
Phone system	7,700	(6,160)	1,540	1,925
Total	247,847	(245,206)	2,641	4,845

8. INVESTMENT IN UNION CENTRE INC.

Union Centre Inc.	204,669	204,669

Principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993. Interest-free thereafter. There are no fixed repayment terms.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Trade payables	22,086	6,852
Accrued liabilities	110,179	97,537
Trust liabilities	11,874	19,239
	144,139	123,628

10. REPAYABLE TO WRHA

	2008 $	2007 $
Revenue in excess of agreement:		
2004/2005	16,731	16,731
2005/2006	17,768	17,768
2006/2007	35,482	35,482
2007/2008	28,302	-
	98,283	69,981

11. DEFERRED REVENUE

Province of Manitoba: Labour & Immigration	9,971	9,971
WCB: Small Business Ergonomist (new)	3,290	3,290
WCB: Educator	2,829	2,829
WCB: Aboriginal Workers Outreach	28,205	28,205
WRHA: Insurance reserve	4,800	4,000
	49,095	48,295

12. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	WRHA $	Bldg. Other $	WCB Programs $	2008 $	2007 $
Capital assets	29,663	194,235	23,949	247,847	247,847
Accumulated amortization	(27,023)	(194,235)	(23,949)	(245,207)	(243,003)
Deferred contributions for capital assets	2,640	-	-	2,640	4,844

13. CONTINGENT LIABILITY

Subsequent to the annual audit, Winnipeg Regional Health Authority, the Centre's primary funder, performs its own financial reviews to determine additional amounts owed to the Centre or recoveries due back. As these amounts are not known at the time of the audit, Winnipeg Regional Health Authority revenues to the Centre are listed on these statements on a confirmed payment basis from Winnipeg Regional Health Authority with prior year adjustments listed in the year of notification.

14. PUBLIC SECTOR DISCLOSURE ACT

In accordance with the Public Sector Disclosure Act the following compensation in excess of $50,000 during the year was paid to M.F.L. employees:

	Wages	Benefits	Travel/ Other	Total
	$	$	$	$
Executive Director	63,269	2,621	243	66,133
Occupational Health Specialist	59,117	2,621	589	62,327
Occupational Health Nurses (Two positions)	132,689	5,423	534	138,646
Ergonomist	53,549	-	-	53,549
Finance/Office Admin	62,915	2,640	-	65,555

15. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

16. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

17. CORRECTION OF AN ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS

The prior year financial statements included two errors which have been corrected in the current year's financial statements. As a result the following changes have been made to the comparative figures in these financial statements.

The vacations liability was understated at March 31, 2007 by $9,999. As a result the salaries and benefits expense amount was increased by $9,999, the vacation pay liability amount has been increased by $12,828, the accounts receivable was increased by $2,829 and the unrestricted net assets amount has been reduced by $9,999 in the 2007 comparative figures.

"See Auditor's Report"

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the statement of financial position of Main Street Project, Inc. as at March 31, 2008 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives part of its revenue from the general public in the form of donations which are not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fundraising events and contributed material and services revenue, excess of revenues over expenses, current assets and net assets.

Note 2 describes the amortization policy for property and equipment. The note also states that the building at 71 Martha Street is being amortized at a rate equal to the reduction of the mortgage principal for the year. In this respect the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except as explained in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 15, 2008

Booke & Partners
Chartered Accountants

Main Street Project, Inc.
Statements of Operations and Changes in Fund Balances
Year Ended March 31

	Operating Fund	Restricted Fund (Note 7)	Capital Fund	2008 Total	2007 Total
Revenues					
Grants	$1,946,774	$ 1,008	$ -	**$1,947,782**	$1,953,736
Per diem payments	870,094	-	-	**870,094**	685,066
Donations	-	63,735	-	**63,735**	36,238
Interest	6,128	8,808	-	**14,936**	7,822
Other	147	-	68,150	**68,297**	102,630
	2,823,143	73,551	68,150	**2,964,844**	2,785,492
Expenses					
Crisis and Detoxification Centre (Page 9)	1,335,619	23,895	11,463	**1,370,977**	1,317,821
I.P.D.A. (Page 10)	282,373	-	2,687	**285,060**	283,829
Mainstay - Residential Component (Page 11)	109,192	-	69,627	**178,819**	184,100
Mainstay - Client Services (Page 12)	386,994	-	3,845	**390,839**	356,324
Transition Teams (Page 13)	195,697	-	1,749	**197,446**	216,842
Opportunities Ahead (Page 14)	107,739	-	912	**108,651**	124,398
Shelter (Page 15)	261,103	-	2,288	**263,391**	245,533
	2,678,717	23,895	92,571	**2,795,183**	2,728,847
Excess (deficiency) of revenues over expenses	$ 144,426	$ 49,656	$ (24,421)	**$ 169,661**	$ 56,645
Fund balances, beginning of year	$ 51,209	$ 221,871	$ 42,913	**$ 315,993**	$ 259,348
Excess (deficiency) of revenues over expenses	144,426	49,656	(24,421)	**169,661**	56,645
Property and equipment additions	(37,351)	(3,887)	41,238	**-**	-
Interfund transfers (Note 7)	(16,464)	16,464	-	**-**	-
Fund balances, end of year	$ 141,820	$ 284,104	$ 59,730	**$ 485,654**	$ 315,993

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Main Street Project, Inc.
Statement of Financial Position

March 31

	2008	2007
Assets		
Current		
Cash and term deposits	$ 51,376	$ 118,505
Receivables (Note 3)	523,539	453,679
Prepaids	26,123	23,445
Funds held in trust (Note 4)	8,924	5,860
	609,962	601,489
Property and equipment (Note 5)	765,209	770,179
Restricted funds (Note 7)	284,104	221,871
	$ 1,659,275	$ 1,593,539
Liabilities		
Current		
Payables and accruals	$ 315,575	$ 312,261
Current portion of long-term debt (Note 6)	14,876	13,023
Funds held in trust (Note 4)	8,924	5,860
	339,375	331,144
Long-term debt (Note 6)	834,246	946,402
	1,173,621	1,277,546
Fund Balances		
Unrestricted	141,820	51,209
Restricted (Note 7)	284,104	221,871
Invested in property and equipment	59,730	42,913
	485,654	315,993
	$ 1,659,275	$ 1,593,539

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

1. Nature of operations

Main Street Project, Inc. exists to assist individuals in the City of Winnipeg through periods of crisis and to help them make the best possible use of rehabilitation and support services that exist in Winnipeg. The organization is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's property and equipment.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

b) Revenue recognition

Restricted amounts are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted amounts are recognized as revenue when received or receivable and collection is reasonably assured.

c) Contributed property and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor the cost of these contributed services are recognized in these financial statements.

booke & partners
CHARTERED ACCOUNTANTS

2. Significant accounting policies (continued)

d) Property and equipment

Purchased property and equipment are recorded in the capital fund at cost less capital grants. Contributed property and equipment are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha building, as follows:

Building - 71 Martha		annual mortgage principal reduction
Buildings - 75 and 77 Martha	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

e) Financial instruments

Unless otherwise stated in these financial statements, the fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Receivables

	2008	2007
Province of Manitoba	$ 50,876	$ 35,351
City of Winnipeg Police Department	80,675	63,490
Manitoba Family Services & Housing	67,500	33,525
National Homelessness Initiative	10,437	28,505
Winnipeg Regional Health Authority (wage stabilization)	197,016	85,480
Winnipeg Regional Health Authority (additional funding)	103,680	167,429
Goods and Services Tax receivable	6,788	8,835
Other	6,567	31,064
	$ 523,539	$ 453,679

booke & partners
CHARTERED ACCOUNTANTS

4. Funds held in trust

In September 2000 the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients of the organization. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused.

5. Property and equipment

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha	554,295	130,021	**424,274**	437,977
Buildings - 75 and 77 Martha	421,563	179,408	**242,155**	248,882
Furniture and equipment	173,123	122,467	**50,656**	35,086
Vehicles	1,099	385	**714**	824
	$ 1,197,490	$ 432,281	**$ 765,209**	$ 770,179

6. Long-term debt

	2008	2007
M.H.R.C. first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7 1/4% per annum, due April 1, 2028.	**$ 752,563**	$ 766,266
Bank loan, repayable in monthly payments of $6,440 plus interest at a rate of prime less 1%, due December 1, 2009.	**96,559**	193,159
	849,122	959,425
Less: current portion	**(14,876)**	(13,023)
	$ 834,246	$ 946,402

The mortgage is secured by a general security agreement over the building.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2009	$ 14,876
2010	15,974
2011	17,153
2012	18,419
2013	19,779

booke & partners
CHARTERED ACCOUNTANTS

7. Restricted funds

	Staff Development Fund	Insurance Reserve	Replacement Reserve	Donations Reserve	**2008 Total**	2007 Total
Balance, beginning of year	$ 18,459	$ 5,032	$ 53,609	$ 144,771	**$ 221,871**	$ 190,223
Excess of revenues over expenses	353	1,008	2,062	46,233	**49,656**	37,721
Property and equipment additions	-	-	(3,887)	-	**(3,887)**	(10,123)
Transfer from operating fund	-	-	4,050	12,414	**16,464**	4,050
Balance, end of year	$ 18,812	$ 6,040	$ 55,834	$ 203,418	**$ 284,104**	$ 221,871

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the Board of Directors. The fund is to be used for subsidizing staff training and retreat costs.

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purposes of funding future major repairs to the building.

Donations Reserve

The Donations Reserve comprises donations and related interest internally restricted by the Board of Directors. The funds in the reserve are designated for the needs of clients which are not budgeted.

8. Contingency - Winnipeg Regional Health Authority

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds.

Neither the likelihood nor the amount of recovery can be foreseen. Therefore no provision has been made in the financial statements. Any surplus recovery will be accounted for as a charge to the surplus account in the year of recovery.

booke & partners
CHARTERED ACCOUNTANTS

9. Contingency - Statement of Claim

The organization has an ongoing legal claim with a client regarding a wrongful detainment. The amount of the contingent loss, if any, cannot be reasonably estimated at this time.

10. Economic dependence

The volume of financial activity undertaken by Main Street Project, Inc. with its main funding bodies is of sufficient magnitude that discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

11. Statement of cash flows

A statement of cash flows has not been presented as management is of the opinion that it would not provide additional meaningful information.

booke & partners
CHARTERED ACCOUNTANTS

CRAIG & ROSS
CHARTERED ACCOUNTANTS

June 9, 2008

AUDITORS' REPORT

To the Board of Directors of
Manitoba Baptist Home Society Inc.

We have audited the statement of financial position of Meadowood Manor Personal Care Home as at March 31, 2008 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home operations as outlined in Note 1 – Entity Definition as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig + Ross

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 1

Statement of Financial Position

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$ 227,145	$ 248,258
Accounts receivable *(Note 4)*	21,285	24,359
Due from Winnipeg Regional Health Authority *(Note 6)*	7,367	-
Inventories	17,393	18,062
Prepaid expenses	10,530	6,966
Accrued interest receivable	5,748	12,989
	289,468	310,634
INVESTMENTS *(Note 5)*	649,208	615,742
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 6)*	742,116	541,075
CAPITAL ASSETS *(Note 7)*	3,046,936	3,242,656
	$ 4,727,728	$ 4,710,107
LIABILITIES AND NET ASSETS		
CURRENT		
Residential charges received in advance	$ 17,475	$ 42,319
Accounts payable and accrued expenses	247,980	283,030
Accrued salaries payable	54,995	14,685
Accrued vacation pay	306,920	290,753
Current portion due to related party *(Note 8)*	50,000	65,000
Current portion of long-term debt *(Note 9)*	157,042	155,071
	834,412	850,858
DUE TO RELATED PARTY *(Note 8)*	-	25,000
DUE TO WINNIPEG REGIONAL HEALTH AUTHORITY	266,113	39,860
ACCRUED PRE-RETIREMENT ENTITLEMENT	329,800	314,488
LONG-TERM DEBT *(Note 9)*	1,615,967	1,773,021
DEFERRED CONTRIBUTIONS *(Note 10)*		
Related to expenses of future periods	173,624	195,565
Related to capital assets	1,643,722	1,645,576
NET ASSETS *(Statement 2)*	(135,910)	(134,261)
	$ 4,727,728	$ 4,710,107

APPROVED ON BEHALF OF THE BOARD:

V. Deja *Director*

Director

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 2

Statement of Operations and Net Assets

Year Ended March 31, 2008

	2008	2007
REVENUE		
Winnipeg Regional Health Authority	$ 3,377,424	$ 3,190,061
Residential charges	1,392,492	1,358,969
Amortization of deferred contributions	233,220	225,942
Recoveries - dietary, cafeteria, parking, rental	153,559	145,869
Interest income	27,636	36,066
Other income	12,735	4,839
Mortgage contribution earned *(Note 9)*	3,672	3,366
Total revenue	5,200,738	4,965,112
EXPENDITURES		
Administration	309,453	232,897
Amortization of capital assets	255,967	253,669
Dietary	576,252	602,123
Employee benefits	550,903	475,577
Housekeeping	189,984	188,043
Information systems	32,686	32,168
Interest on long-term debt *(Note 9)*	128,363	143,577
Laundry	149,252	142,895
Manitoba payroll tax	72,335	55,972
Medical remuneration	2,952	2,750
Nursing	2,395,680	2,301,745
Physical plant	368,414	361,459
Pre-retirement benefits	4,977	15,588
Social work	37,159	22,047
Therapeutic recreation	128,010	119,231
Total expenditures	5,202,387	4,949,741
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	(1,649)	15,371
NET ASSETS, BEGINNING OF YEAR	(134,261)	(149,632)
NET ASSETS, END OF YEAR	$ (135,910)	$ (134,261)

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 3

Statement of Cash Flow

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	$ (1,649)	$ 15,371
Adjustments for:		
Amortization of deferred contributions	(233,220)	(225,942)
Amortization of capital assets	255,967	253,669
	21,098	43,098
Adjustments for changes in non-cash working capital balances:		
Accounts receivable	3,074	(8,657)
Due (from) to Winnipeg Regional Health Authority	(7,367)	48,631
Inventories	669	(6,705)
Prepaid expenses	(3,564)	(566)
Accrued interest receivable	7,241	(8,056)
Residential charges received in advance	(24,844)	(46,685)
Accounts payable and accrued expenses	(35,050)	115,833
Accrued salaries	40,310	(84,764)
Accrued vacation pay	16,167	6,465
Cash flow from operating activities	17,734	58,594
FINANCING ACTIVITIES		
Change in deferred contributions related to expenses of future periods	(17,014)	14,989
Increase in deferred contributions related to capital assets	226,439	255,927
Due to Winnipeg Regional Health Authority	266,113	-
Increase in accrued pre-retirement entitlement	15,312	-
Loan received from related party	-	25,000
Repayment of loan due to related party	(40,000)	(39,449)
Long-term debt repayments	(155,083)	(202,999)
Cash flow from financing activities	295,767	53,468
INVESTING ACTIVITIES		
Purchase of capital assets	(60,247)	(61,284)
Due from Winnipeg Regional Health Authority	(240,902)	-
Purchase of investments	(33,465)	(30,166)
Cash flow from investing activities	(334,614)	(91,450)
INCREASE (DECREASE) IN CASH FLOW	(21,113)	20,612
CASH - BEGINNING OF YEAR	248,258	227,646
CASH - END OF YEAR	$ 227,145	$ 248,258

MEADOWOOD MANOR PERSONAL CARE HOME

Notes to Financial Statements

March 31, 2008

1. ENTITY DEFINITION

Meadowood Manor (the "Home") is a personal care home operated by the Manitoba Baptist Home Society Inc. (the "Corporation"). The Corporation provides care and shelter to the elderly and infirm. The Corporation is a Registered Charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Act are met.

These financial statements present the financial position and results of operations of the Personal Care Home Fund of the Manitoba Baptist Home Society Inc. As such, these financial statements do not include all of the assets, liabilities, equity, revenues, and expenses of the Manitoba Baptist Home Society Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. The financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of its review of the Home's accounts. Any adjustments will be reflected in the year the final statement of approved costs is received from the WRHA.

a) Deficits

The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses

The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value cost being determined on a first-in, first-out basis.

Employee future benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Capital assets

Purchased assets with a useful life beyond one year and a cost greater than $2,000 are recorded as capital assets at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair market value exceeds $2,000. Repairs and maintenance costs are recorded as an expense when incurred. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to ongoing operations, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements and site services	10 years
Building	40 years
Building improvements and renovations	10 years
Building service equipment	20 years
Computer hardware and software	3 years
Furniture and equipment	10 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Home's financial instruments consist of cash, investments, accounts receivable, due from WRHA, accounts payable and accrued expenses, residential charges received in advance, amounts due to a related party, due to WRHA, accrued pre-retirement entitlement, and long-term debt. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. RESTATEMENT OF FINANCIAL STATEMENTS AND CHANGE IN ACCOUNTING POLICY

a) Restatement of financial statements – Due from Winnipeg Regional Health Authority and Manitoba Health

In the Statement of Financial Position of the prior year, a long-term account receivable for current and future employee benefits receivable was disclosed as Due from Manitoba Health. Subsequent to March 31, 2004, Manitoba Health transferred its obligation to the Corporation to Winnipeg Regional Health Authority. Accordingly, the Statements of Financial Position for the years ended March 31, 2007, March 31, 2006, and March 31, 2005 have been restated to indicate that this sum (see Note 6) is due from WRHA. There is no net effect on the Statements of Financial Position or on the Statements of Operations for any of these years as a result of this restatement.

b) Change in accounting policy – Financial Instruments

The Home adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard, Handbook Section 3855 – *Financial Instruments – Recognition and Measurement*, on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of:

i) held for trading,
ii) loans and receivables,
iii) held-to-maturity,
iv) available-for-sale, or
v) other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

3. RESTATEMENT OF FINANCIAL STATEMENTS AND CHANGE IN ACCOUNTING POLICY *(continued)*

b) Change in accounting policy – Financial Instruments *(continued)*

Upon adoption of this new standard, the Home designated cash as held-for-trading; investments as held-to-maturity, accounts receivable, due from WRHA as loans and receivables, residential charges received in advance, accounts payable and accrued liabilities, due to WRHA, accrued salaries payable, accrued vacation pay, due to related party and long-term debt as other liabilities. The Home has no available-for-sale instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on April 1, 2007 had no material impact on net assets.

c) Future accounting policy changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – *Capital Disclosures*, Handbook Section 3862 – *Financial Instruments – Disclosures*, and Handbook Section 3863 – *Financial Instruments – Presentation*. These new standards became effective for the Home on April 1, 2008.

Section 1535 specifies the disclosure of:

i) an entity's objectives, policies and procedures and process for managing capital,
ii) quantitative data about what the entity regards as capital,
iii) whether the entity has complied with any capital requirements, and
iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Home is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

4. ACCOUNTS RECEIVABLE

	2008	2007
Receivable from residents	$ 26,992	$ 19,541
Allowance for doubtful accounts	(15,637)	(6,138)
	11,355	12,211
Goods and Services Tax rebate	9,013	10,460
Other accounts receivable	917	1,688
	$ 21,285	$ 24,359

5. INVESTMENTS

	2008	2007
Government bonds and term deposits	$ 649,208	$ 615,742

Market value $647,707 (2007 - $610,114).

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY

	2008	2007
Current-		
Due from River Park Garden Personal Care Home	$ 7,367	$ -
Long-term-		
Net year-end funding receivable (2004/2005; 2005/2006; 2006/2007; 2007/2008)	185,729	-
Current and future employee benefits recoverable-		
Vacation entitlement receivable at March 31, 2004	228,609	228,609
Pre-retirement entitlement receivable	327,778	312,466
	$ 742,116	$ 541,075

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation. The liability for vacation benefits is accrued as earned by the employees.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for vacation entitlement and pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, when Manitoba transferred its obligation for this funding to the WRHA. This amount has been recorded as a long-term receivable on the Statement of Financial Position. The Province of Manitoba has guaranteed to the WRHA and through it to the Home, this outstanding receivable which will be paid "when required". Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the Statement of Operations. In the 2007/2008 fiscal year, the WRHA permitted accrual of the change in the actuarial valuation of the pre-retirement liability for the year ended March 31, 2008, which amounted to $15,312.

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(continued)*

The amount of the receivable is being recorded on a non-discounted basis. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

7. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 150,000	$ -	$ 150,000	$ -
Land improvements & site services	15,155	15,155	15,155	15,155
Building	5,080,825	2,396,925	5,080,825	2,171,554
Building service equipment	21,450	2,146	21,450	1,073
Computer hardware & software	7,459	7,459	10,447	10,447
Furniture & equipment	785,235	591,503	724,988	561,980
	$ 6,060,124	$ 3,013,188	$ 6,002,865	$ 2,760,209
Net book value	$ 3,046,936		$ 3,242,656	

8. DUE TO RELATED PARTY

	2008	2007
Meadowood Manor Foundation Inc., $50,000 term loan issued April 10, 2003, bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%, with annual principal payments of $10,000, amortized over five years, unsecured, maturing in April 2008. The due dates for the instalment payments have been deferred until the maturity date.	$ -	$ 25,000
Meadowood Manor Foundation Inc., $40,000 promissory note issued February 9, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	25,000	40,000
Meadowood Manor Foundation Inc., $25,000 promissory note issued October 12, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	25,000	25,000
	50,000	90,000
Current portion due	50,000	65,000
	$ -	$ 25,000

9. LONG-TERM DEBT

	2008	2007
Canada Mortgage and Housing Corporation ("CMHC"), bearing interest at 10%, repayable in monthly instalments of $11,719 (P&I), secured by a first mortgage on the building, maturing in February 2028.	**$ 1,302,886**	$ 1,325,669
Toronto-Dominion Bank - $981,313 term loan, bearing interest at prime, with monthly principal payments of $8,180 amortized over ten years, secured by a Letter of Comfort from Manitoba Health for the full amount, maturing in March, 2012.	**326,913**	425,073
Toronto-Dominion Bank - $331,000 term loan, bearing interest at prime minus 0.50%, with monthly principal payments of $2,845 amortized over ten years, secured by a Letter of Comfort from Manitoba Health, maturing in March, 2012.	**143,210**	177,350
	1,773,009	1,928,092
Current portion of long-term debt	**157,042**	155,071
	$ 1,615,967	$ 1,773,021

Principal repayments required over the next five years are as follows:

2008 - 2009	$ 157,042
2009 - 2010	159,202
2010 - 2011	161,583
2011 - 2012	98,481
2012 - 2013	41,452
Thereafter	1,155,249
	$ 1,773,009

Under the terms of the operating agreement with CMHC, a reduction in mortgage principal is received by a contribution from CMHC. The original contribution of $183,600 is being amortized at the rate of $3,672 annually. At March 31, 2008, the unamortized contribution is $73,134 which reduces the repayable mortgage principal to $1,229,752.

The interest on long-term debt expense of $128,363 is the net expense after receiving an annual interest subsidy of $26,267 from CMHC as provided in the mortgage agreement. The subsidy reduces the effective interest rate from 10% to 8% over the term of the agreement.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods

	2008	2007
Balance, beginning of year	**$ 195,565**	$ 180,576
Add contributions received during the year – WRHA	**26,704**	26,704
Less amounts amortized to revenue for major repairs	**(4,927)**	-
Less expenditures for equipment replacement	**(43,718)**	(11,715)
Balance, end of year	**$ 173,624**	$ 195,565

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of funding received that is designated for the purchase of capital assets. The funding is amortized at the same rate as the related capital assets and amortization deferred contributions related to capital assets is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year (restated) *(Note 3)*	**$ 1,645,576**	$ 1,615,590
Add additional contributions received:		
Assets purchased from deferred contributions related to expenses of future periods	**43,718**	11,715
Donation	**1,380**	-
Transfer from Donation Fund	**20,000**	45,000
WRHA equipment grants	**9,930**	49,569
WRHA long-term debt principal funding	**151,411**	149,644
Less amounts amortized to revenue	**(228,293)**	(225,942)
Balance, end of year	**$ 1,643,722**	$ 1,645,576

11. PENSION PLAN

Substantially all of the employees of the Home are members of The Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years that provide the highest earnings, prior to retirement, termination or death.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates in consultation with its actuaries. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $159,129 (2007 - $159,129). This amount was determined by contributing 6.8% of eligible salaries up to $43,700 and 8.4% of the portion of salaries in excess of $43,700 effective July 1, 2007 (rates effective July 1, 2006: 6.6% and 8.2% and $42,100 respectively) and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2006, indicates the Plan is fully funded.

12. FUNDING OF FUTURE EMPLOYEE BENEFITS

Effective April 1, 2004, Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for fiscal years ended March 31, 2005, March 31, 2006, and March 31, 2007. An adjustment for the receivable was permitted for the year ended March 31, 2008, amounting to an additional $15,312.

The Home has taken the position that unfunded future employee benefits (which include pre-retirement leave and vacation accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Meadowood Personal Care Home).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which employee future benefit liabilities are to be funded and recorded in the Home's audited financial statements.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Directors of Middlechurch Home of Winnipeg Inc.

We have audited the non-consolidated statement of financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2008 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Middlechurch Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 9, 2008

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 599,908	$ 297,895
Accounts receivable	18,150	21,854
Receivable from Winnipeg Regional Health Authority (note 4)	319,662	1,629
Employee benefits recoverable from Winnipeg Regional Health Authority [note 18(iii)]	487,714	487,714
Prepaid expenses	35,474	35,769
Inventory	40,629	36,347
Current portion of long-term receivables from Winnipeg Regional Health Authority (note 6)	72,851	106,231
Receivable from Residents' Trust Fund (note 11)	931	79
	1,575,319	987,518
Restricted cash and deposits (note 5)	321,061	348,180
Long-term receivables from Winnipeg Regional Health Authority (note 6)	200,663	278,545
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 18(i)]	707,611	699,539
Property and equipment (note 7)	7,336,984	7,715,130
	$ 10,141,638	$ 10,028,912

	2008	2007
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 601,247	$ 483,087
Advances payable to Winnipeg Regional Health Authority (note 10)	423,250	81,807
Vacation payable [note 18(iii)]	657,871	627,843
Deferred residential charges	238	5,499
Current portion of long-term debt (note 12)	99,859	127,409
	1,782,465	1,325,645
Long-term debt (note 12)	495,632	615,045
Future employee pre-retirement benefits payable [note 18(i)]	730,762	722,690
Deferred contributions (note 13):		
Expenses for future periods	23,450	27,826
Property and equipment	5,837,138	6,167,596
	5,860,588	6,195,422
Net assets:		
Invested in property and equipment (note 14)	1,226,614	1,273,319
Internally restricted:		
Donation	247,432	250,808
Auxiliary	17,179	13,847
Unrestricted	(219,034)	(367,864)
	1,272,191	1,170,110
Continuity of operations (note 1)		
	$ 10,141,638	$ 10,028,912

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Director

Director

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations
Year ended March 31, 2008, with comparative figures for 2007

	Invested in property and equipment	Internally restricted - Donation and Auxiliary	Unrestricted	2008 Total	2007 Total
Revenue:					
Residential charges	$ –	$ –	$ 3,064,791	$ 3,064,791	$ 2,957,453
Adult Day Program recoveries	–	–	30,681	30,681	28,363
	–	–	3,095,472	3,095,472	2,985,816
Winnipeg Regional Health Authority:					
Provincial plan	21,363	–	7,768,938	7,790,301	7,382,618
Year end commitments	–	–	14,709	14,709	6,239
Community Service Program	–	–	45,682	45,682	42,692
Adult Day Program	–	–	192,138	192,138	189,401
	21,363	–	8,021,467	8,042,830	7,620,950
Recoveries and other revenue (note 15)	–	–	306,797	306,797	273,615
Amortization of deferred contributions related to property and equipment (note 13)	488,971	–	–	488,971	523,713
Investment income (note 16)	–	11,335	28,226	39,561	28,295
Donation revenue	–	164,776	–	164,776	132,075
Auxiliary:					
Donations and other revenue	–	5,115	–	5,115	15,400
Investment income (note 16)	–	649	–	649	724
	–	5,764	–	5,764	16,124
Total revenue	510,334	181,875	11,451,962	12,144,171	11,580,588
Expenses:					
Operating:					
Salaries	–	47,061	7,858,076	7,905,137	7,439,257
Employee benefits	–	–	1,411,418	1,411,418	1,352,331
Manitoba payroll tax	–	–	161,611	161,611	157,150
Medical supplies	–	–	24,911	24,911	31,863
Incontinent supplies	–	–	99,349	99,349	77,047
Purchased services	–	–	107,229	107,229	98,480
Other supplies and expenses	–	–	977,104	977,104	939,575
Shop and tavern	–	–	13,442	13,442	15,763
Hair salon	–	–	53,948	53,948	51,150
Professional fees	–	–	25,665	25,665	19,629
Plant maintenance	–	–	251,148	251,148	207,672
Cafeteria	–	–	51,789	51,789	41,342
Miscellaneous:					
Donation	–	69,535	–	69,535	64,849
Auxiliary	–	2,433	–	2,433	14,303
Amortization of property and equipment	624,729	–	–	624,729	653,804
Interest on long-term debt	–	–	39,822	39,822	42,013
	624,729	119,029	11,075,512	11,819,270	11,206,228
Adult Day Program:					
Salaries	–	–	98,973	98,973	94,762
Employee benefits	–	–	18,634	18,634	18,632
Manitoba payroll tax	–	–	2,225	2,225	2,003
Food	–	–	28,964	28,964	19,510
Transportation	–	–	70,058	70,058	71,125
Other supplies	–	–	3,966	3,966	11,730
	–	–	222,820	222,820	217,762
Total expenses	624,729	119,029	11,298,332	12,042,090	11,423,990
Excess (deficiency) of revenue over expenses, before the undernoted	(114,395)	62,846	153,630	102,081	156,598
Winnipeg Regional Health Authority prior year adjustment	–	–	–	–	4,278
Winnipeg Regional Health Authority future employee benefits recoverable [note 18(i)]	–	–	8,072	8,072	102,492
Future employee pre-retirement benefits [note 18(i)]	–	–	(8,072)	(8,072)	(88,708)
Excess (deficiency) of revenue over expenses	$ (114,395)	$ 62,846	$ 153,630	$ 102,081	$ 174,660

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Invested in property and equipment	Internally restricted		Unrestricted	2008 Total	2007 Total
		Donation	Auxiliary			
Balance, beginning of year	$ 1,273,319	$ 250,808	$ 13,847	$ (367,864)	$ 1,170,110	$ 995,450
Excess (deficiency) of revenue over expenses	(114,395)	59,514	3,332	153,630	102,081	174,660
Transfer of funds for long-term debt repayments and purchase of capital assets	67,690	(62,890)	–	(4,800)	–	–
Balance, end of year	$ 1,226,614	$ 247,432	$ 17,179	$ (219,034)	$ 1,272,191	$ 1,170,110

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 102,081	$ 174,660
Adjustments for:		
Amortization of property and equipment	624,729	653,804
Amortization of deferred contributions	(488,971)	(523,713)
	237,839	304,751
Increase in deferred contributions relating to expenses for future periods, net	(4,376)	11,689
Change in the following:		
Accounts receivable	3,704	4,850
Receivable from Winnipeg Regional Health Authority	(318,033)	532,307
Prepaid expenses	295	(34)
Inventory	(4,282)	2,653
Receivable from Residents' Trust Fund	(852)	1,163
Restricted cash and deposits	27,119	(40,204)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(8,072)	(88,708)
Accounts payable and accrued liabilities	118,160	21,885
Advances payable to Winnipeg Regional Health Authority	341,443	(446,822)
Vacation payable	30,028	31,312
Deferred residential charges	(5,261)	(2,165)
Future employee pre-retirement benefits payable	8,072	88,708
	425,784	421,385
Financing and investing activities:		
Proceeds of long-term debt	–	190,652
Repayments on long-term debt	(146,963)	(106,562)
Change in long-term receivables from Winnipeg Regional Health Authority	111,262	(90,333)
Deferred contributions received for property and equipment	158,513	380,083
Purchase of property and equipment	(246,583)	(395,202)
	(123,771)	(21,362)
Increase in cash	302,013	400,023
Cash (bank indebtedness), beginning of year	297,895	(102,128)
Cash, end of year	$ 599,908	$ 297,895

See accompanying notes to non-consolidated financial statements.

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated on April 29, 1884. Middlechurch Home, a residential care facility incorporated as a corporation without share capital under the laws of Manitoba, provides residential care services to Winnipeg and the surrounding community. Middlechurch Home is a registered charity under the *Income Tax Act* and is exempt from income taxes.

1. Continuity of operations:

At March 31, 2008, Middlechurch Home's current liabilities exceed its current assets by $207,146 (2007 - $338,127). Middlechurch Home also has an unrestricted net asset deficiency of $219,034 (2007 - $367,864) at March 31, 2008 mainly as a result of losses from operations in prior fiscal years.

The ability of Middlechurch Home to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on Middlechurch Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Winnipeg Regional Health Authority including retention of operating surpluses [note 2(e)].

2. Significant accounting policies:

(a) Basis of presentation:

Middlechurch on the Red Inc.:

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (the Organization) by virtue of its ability to appoint three of the five members of the Organization's Board of Directors and Middlechurch Home is the sponsor of the Organization in operating a life-lease apartment complex.

2. Significant accounting policies (continued):

The Organization has not been consolidated in Middlechurch Home's financial statements. Financial statements of the Organization are available upon request. A financial summary of this non-consolidated entity at March 31, 2008 and 2007 and for the years then ended are as follows:

	2008	2007
Financial position:		
Total assets	$ 4,469,695	$ 4,348,337
Total liabilities	$ 4,254,225	$ 4,175,231
Total net assets	215,470	173,106
	$ 4,469,695	$ 4,348,337
Results of operations:		
Total revenue	$ 334,220	$ 308,339
Total expenses	291,856	276,657
Excess of revenue over expenses	$ 42,364	$ 31,682

(b) Revenue recognition:

Middlechurch Home follows the deferral method of accounting for contributions, which include donations and government grants.

Middlechurch Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2008. Middlechurch Home's Service Purchase Agreement with the WRHA continues in effect until March 31, 2012.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

2. Significant accounting policies (continued):

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the services are provided or the goods are sold.

(c) Inventory:

Inventory, which consists mainly of medical supplies, is valued at the lower of cost, on a first-in first-out basis, and replacement cost.

(d) Property and equipment:

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When property and equipment no longer contributes to Middlechurch Home's ability to provide services, its carrying amount is written-down to its residual value.

Property and equipment are amortized on a straight-line basis using the following annual rates:

Asset	Term
Land improvements	20 years
Buildings	30, 40, and 50 years
Computer equipment and furniture and equipment	5 -10 years

(e) Operating surplus or deficit:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of Middlechurch Home. Middlechurch Home may retain the greater of 50 percent of the operating surplus and 1 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by Middlechurch Home are subject to review by the WRHA. The remaining operating surplus of Middlechurch Home in any fiscal year is repayable to the WRHA. For fiscal 2008 and 2007, Middlechurch Home has received permission from the WRHA to retain all of its operating surplus.

2. Significant accounting policies (continued):

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(g) Future employee pre-retirement benefits:

The cost of Middlechurch Home's future employee pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future employee pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring Middlechurch Home's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent), a rate of salary increase of 3.50 percent (2007 - 3.00 percent), plus an age-related merit/promotion scale with no provision for disability.

(h) Internally restricted net assets:

Internally restricted net assets represents transactions and contributions related to donations and auxiliary activities. All expenditures require approval of the Board of Directors.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Changes in accounting policy:

Middlechurch Home adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

Upon adoption of this new standard, Middlechurch Home designated cash and restricted cash and deposits as held-for-trading; accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority, receivable from Resident's Trust Fund, and long term receivables from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, advances payable to Winnipeg Regional Health Authority, vacation payable and long-term debt as other liabilities. Middlechurch Home does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 for the Middlechurch Home's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment at April 1, 2007 for Middlechurch Home's other financial instruments as their carrying amounts approximate amortized cost.

4. Receivable from Winnipeg Regional Health Authority:

	2008	2007
Receivable from:		
Employee retirement benefits	$ 104,609	$ 104,420
Wages standardization	341,443	–
Salaries and other	106,427	64,795
	552,479	169,215
Payable to:		
Resident charges	246,601	181,370
	305,878	(12,155)
Current future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 18(i)]	13,784	13,784
	$ 319,662	$ 1,629

5. Restricted cash and deposits:

	2008	2007
Restricted for capital asset replacement	$ 51,330	$ 69,120
Restricted for expenses for future periods	9,059	15,430
Internally restricted:		
Donation	243,443	249,775
Auxiliary	17,229	13,855
	$ 321,061	$ 348,180

6. Long-term receivables from Winnipeg Regional Health Authority:

	2008	2007
Long-term receivables from WRHA:		
Fire sprinkler system	$ 137,144	$ 161,183
Sewage plant	16,560	66,745
Roof resurfacing	119,810	156,848
	273,514	384,776
Portion included in current assets:		
Fire sprinkler system	16,571	15,931
Sewage plant	16,560	50,580
Roof resurfacing	39,720	39,720
	72,851	106,231
	$ 200,663	$ 278,545

6. Long-term receivables from Winnipeg Regional Health Authority (continued):

Middlechurch Home has three long-term receivables from WRHA relating to the funding of the sewage plant, fire sprinkler system and roof resurfacing. The long-term receivable for the sewage plant bears interest at bank prime, requires monthly principal payments of $4,215 plus interest and matures July 2008; the long-term receivable for the fire sprinkler system requires monthly payments of $2,350 including interest at prime less 0.50 percent and matures December 2013; and the long-term receivable for the roof resurfacing requires monthly payments of $3,310 plus interest at prime less 0.50 percent and matures March 2011.

7. Property and equipment:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1	$ –	$ 1	$ 1
Land improvements:				
Courtyard Project	563,897	435,351	128,546	135,940
Hostel Project	819,984	655,987	163,997	204,996
Buildings:				
West	993,353	774,815	218,538	231,770
Activity Centre	481,544	325,042	156,502	168,540
Hostel	11,838,351	6,090,170	5,748,181	6,083,919
Sewage Project	663,575	242,718	420,857	443,008
Garage	50,612	17,714	32,898	35,428
Computer equipment and furniture and equipment:				
Manitoba Health funded	1,296,177	856,556	439,621	372,587
Assets fully amortized	1,925,078	1,925,078	–	–
Other	75,520	47,677	27,843	38,941
	$ 18,708,092	$ 11,371,108	$ 7,336,984	$ 7,715,130

8. Bank indebtedness:

Middlechurch Home has a demand operating line of credit with a maximum limit of $350,000 and bears interest at bank prime rate. The security on the operating line of credit is the same as the security disclosed in note 12 on the term loans with the Royal Bank of Canada. The operating line of credit was not utilized at March 31, 2008 and 2007.

9. Accounts payable and accrued liabilities:

	2008	2007
Accounts payable and accrued liabilities	$ 333,138	$ 309,790
Wages payable	268,109	173,297
	$ 601,247	$ 483,087

10. Advances payable to Winnipeg Regional Health Authority:

During the fiscal year, Middlechurch Home received funding advances from the Winnipeg Regional Health Authority in the amount of $341,443 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Receivable from Residents' Trust Fund:

Funds are held in trust for Home Residents and the Residents' Comfort Fund. These funds are not included in these financial statements.

	2008	2007
Cash	$ 40,324	$ 80,084
Accounts receivable	(1,797)	1,155
Residents' Trust funds	(37,596)	(81,160)
Net receivable from Residents' Trust Fund	$ 931	$ 79

12. Long-term debt:

	2008	2007
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5 3/4%, maturing in 2018	$ 321,977	$ 343,340
Royal Bank of Canada term loan, with monthly principal payments of $4,215 plus interest at prime, maturing July 2008, supported by a letter of comfort from WRHA	16,560	67,140
Royal Bank of Canada term loan, with monthly payments of $2,350 including interest at prime less 0.50%, maturing December 2013, supported by a letter of comfort from WRHA	137,144	161,182
Royal Bank of Canada term loan, with monthly payments of $3,310 plus interest at prime less 0.50%, maturing March 2011, supported by a letter of comfort from WHRA	119,810	170,792
	595,491	742,454
Current portion	99,859	127,409
	$ 495,632	$ 615,045

Principal payments due in each of the next five years and thereafter are approximately as follows:

2009	$ 99,859
2010	85,816
2011	88,478
2012	51,575
2013	54,554
2014 and thereafter	215,209

13. Deferred contributions:

(a) Expenses for future periods:

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

	2008	2007
Balance, beginning of year	$ 27,826	$ 16,137
Additional contributions received	11,695	11,689
Less amount transferred to deferred contributions - property and equipment	(16,071)	–
	$ 23,450	$ 27,826

(b) Property and equipment:

Deferred capital contributions related to property and equipment represent the unspent and unamortized amount of donations and grants received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 6,167,596	$ 6,311,226
Additional contributions received	142,442	380,083
Add: amount transferred from deferred contributions - expenses for future periods	16,071	–
Less amounts amortized to revenue	(488,971)	(523,713)
	$ 5,837,138	$ 6,167,596

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2008	2007
Unamortized capital contributions used to purchase property and equipment	$ 5,788,393	$ 6,098,471
Unspent contributions	48,745	69,125
	$ 5,837,138	$ 6,167,596

14. Investment in property and equipment:

Investment in property and equipment is calculated as follows:

	2008	2007
Property and equipment	$ 7,336,984	$ 7,715,130
Amounts financed by:		
Deferred contributions	(5,788,393)	(6,098,471)
Mortgage payable	(321,977)	(343,340)
	$ 1,226,614	$ 1,273,319

15. Recoveries and other revenue:

	2008	2007
Cafeteria	$ 64,737	$ 51,554
Hair salon	69,046	62,917
Parking	47,992	47,618
Administrative	30,988	29,927
Community services	45,838	43,334
Shop and tavern	20,882	26,058
Miscellaneous	24,735	10,262
Vending	2,579	1,945
	$ 306,797	$ 273,615

16. Investment income:

Investment income earned and recorded in the statement of operations is calculated as follows:

	2008	2007
Investment income earned on:		
Donation - internally restricted	$ 11,335	$ 8,650
Auxiliary - internally restricted	649	724
Unrestricted resources	28,226	19,645
	$ 40,210	$ 29,019

17. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

	2008	2007
Revenues:		
Administration fees	$ 6,000	$ 6,000
Water charges	4,800	4,800
Insurance fees	5,999	4,811
Maintenance	7,023	3,707
Expenses:		
Operating	–	1,050

Middlechurch Home exercises significant influence over The Middlechurch Home of Winnipeg Foundation Inc. (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of Middlechurch Home. The Foundation is incorporated under the *Canada Corporations Act* and is a registered charity under the *Income Tax Act*. Net resources of the Foundation amount to $20,949 (2007 - $16,358) and are available, at the discretion of the Foundation's Board of Directors, to Middlechurch Home. Subsequent to year end, Middlechurch Home is deemed to control the Foundation since certain directors of Middlechurch Home comprise the Board of Directors of the Foundation.

The net assets and results from operations of the Foundation are not included in the statements of Middlechurch Home. Separate financial statements of the Foundation are available upon request.

During the year, Middlechurch Home charged nil (2007 - $703) to the Foundation in order to recover costs incurred on behalf of the Foundation. The Foundation donated nil (2007 - $24,518) during the year to the Middlechurch Home for various expenditures.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

18. Future employee benefits and employee benefits:

(i) Middlechurch Home maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $730,762 (2007 - $722,690) for which Middlechurch Home has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirements benefits was initially based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. The increase recorded in fiscal 2008 was $8,072 (2007 - $88,708) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $13,784. This amount also includes an interest component, and is included as a current receivable from WRHA (note 3). This amount was received subsequent to March 31, 2008. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $707,611 (2007 - $699,539) and has no specified terms of repayment.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by the WRHA for 2008 was 64.25 percent (2007 – 73.5 percent) of actual pre-retirement benefits paid. The funding shortfall for 2008 of $17,546 (2007 - $18,740) was paid from funding received for operations.

18. Future employee benefits and employee benefits (continued):

Additional, information about Middlechurch Home's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 49,080	$ 70,599
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	8,072	88,708
WRHA additional funding for pre-retirement benefits paid	31,534	51,976
WRHA funding for change in pre-retirement benefits payable	8,072	102,492
Future employee pre-retirement benefits payable	730,762	722,690

(ii) All eligible employees of Middlechurch Home are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, Middlechurch Home is accounting for the plan as a defined contribution plan. During the year, Middlechurch Home contributed $444,197 (2007 - $434,792) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

(iii) The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by the employees and is reported as vacation payable on the statement of financial position. The vacation liability at March 31, 2008 is $657,871 (2007 - $627,843). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714. This amount is reported as employee benefits recoverable on the statement of financial position.

19. Advances from internally restricted - donation:

During fiscal 2007, the Board approved the advancing of funds from internally restricted - donation to fund an upgrade to telephone equipment. These funds are to be repaid out of unrestricted net assets.

	2008	2007
Telephone upgrade, payable in monthly instalments of $590, due April 30, 2012	$ 27,730	$ 34,802

20. Fair value of financial assets and financial liabilities:

The carrying value of the long-term receivable from Winnipeg Regional Health Authority approximates its fair value as the terms and conditions of the receivable are comparable to current market terms and conditions for similar items.

The fair value of long-term debt approximates its carrying value. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to Middlechurch Home.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and future employee pre-retirement benefits payable approximate their carrying value as the interest component is comparable to current market rates.

The fair value of the Middlechurch Home's other financial assets and financial liabilities approximates carrying value due to their short term to maturity.

21. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for Middlechurch Home on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Middlechurch Home is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Members of
MOUNT CARMEL CLINIC:

We have audited the statement of financial position of **MOUNT CARMEL CLINIC** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2008

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 1,114,090	$ 1,307,549
Short-term investments	115,266	110,985
Accounts receivable (Note 3)	307,421	216,187
Due from WRHA (Note 4)	314,989	417,045
Inventories	127,891	107,431
Prepaid expenses	15,480	16,328
Vacation entitlements receivable (Note 5)	381,653	381,653
	2,376,790	2,557,178
Retirement obligation receivable (Note 15)	426,813	398,115
Capital assets (Note 6)	3,173,863	2,279,803
Due from Mount Carmel Clinic Foundation	277,782	69,090
	$ 6,255,248	$ 5,304,186
Liabilities and Net Assets		
Current		
Accounts payable and accruals	$ 681,968	$ 795,520
Due to WRHA (Note 7)	32,395	16,472
Accrued vacation entitlements (Note 5)	417,132	396,942
Deferred revenue (Note 8)	688,997	567,481
Current portion of long-term debt (Note 9)	-	3,388
	1,820,492	1,779,803
Accrued retirement obligations (Note 15)	547,847	520,639
Long-term debt (Note 9)	-	141,687
Deferred Contributions (Note 10)		
Expenses of future periods	40,770	23,990
Capital assets	2,441,969	1,721,496
	4,851,078	4,187,615
Commitments and contingencies (Note 14)		
Net assets (Page 5)	1,404,170	1,116,571
	$ 6,255,248	$ 5,304,186

Approved on behalf of the Board of Directors

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority (Note 13)	$ 6,450,373	$ 6,232,987
Pharmacy sales	1,522,358	1,663,561
Province of Manitoba	599,926	596,955
Other	562,768	543,305
Health Canada	306,410	324,910
Amortization of Deferred contributions	125,788	105,135
United Way of Winnipeg	123,600	121,356
Medical program	74,540	111,164
Dental revenue	73,427	79,422
Investment income	29,547	35,716
Parent fees	27,669	28,177
Donations	26,257	21,424
Department of Justice Funding	-	68,145
Rental revenue	-	8,000
	9,922,663	9,940,257
Expenditures		
Salaries	5,936,834	5,796,154
Drugs	884,755	1,016,176
Program supplies and other expenses	834,673	804,064
Employee benefits	770,840	795,361
Maintenance and repairs	252,993	544,397
Charitable drug program	224,396	289,833
Office supplies and expenses	202,041	183,159
Amortization of capital assets	170,635	153,940
Utilities	154,857	152,423
Other occupancy costs	96,881	69,048
Travel, meetings and conferences	90,988	83,559
Bank charges and Interest	15,171	13,568
	9,635,064	9,901,682
Excess of revenue over expenditures before other items	287,599	38,575
Other items		
Change in accrued retirement obligations		
WRHA funding accrued	28,698	122,560
Liability for the year	(28,698)	(7,386)
	-	115,174
Excess of revenue over expenditures for the year (Page 5)	$ 287,599	$ 153,749

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31

	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Invested In Capital Assets (Note 12)	2008 Total	2007 Total
Net assets, beginning of year	$ 245,714	$ (3,861)	$ 128,602	$ 214,215	$ 531,901	$ 1,116,571	$ 967,622
Excess (deficiency) of revenue over expenditures for the year (Page 4)	289,847	-	36,372	5,826	(44,446)	287,599	153,749
Interfund transfers	35,328	-	(58,796)	(80,533)	104,001	-	(4,800)
Net assets, end of year (Page 3)	$ 570,889	$ (3,861)	$ 106,178	$ 139,508	$ 591,456	$ 1,404,170	$ 1,116,571

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 287,599	$ 153,749
Amortization of capital assets	170,635	153,940
Amortization of deferred contributions	(125,788)	(105,135)
	332,446	202,554
Changes in non-cash working capital		
Accounts receivable	(91,234)	(24,714)
Due from WRHA	102,056	(177,500)
Inventories	(20,460)	55,673
Prepaid expenses	848	54
Accounts payable and accruals	(113,552)	395,573
Due to WRHA	15,923	16,382
Accrued vacation entitlements	20,190	(7,365)
Deferred revenue	121,516	128,977
	35,287	387,080
Retirement obligation assets	(28,698)	(10,256)
Accrued retirement obligations	27,208	(55,848)
	366,243	523,530
Cash Flows from Financing Activities		
WRHA funding - capital	3,610	97,224
Bank loan payments	(145,075)	(3,304)
Other deferred contributions received	846,261	170,205
Transfer to expenses of future periods	13,169	2,092
	717,965	266,217
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(1,064,694)	(317,138)
Increase in investments	(4,281)	(3,906)
Due from Mount Carmel Clinic Foundation Inc.	(208,692)	(5,810)
	(1,277,667)	(326,854)
Net increase (decrease) in cash and cash equivalents	(193,459)	462,893
Cash and cash equivalents, beginning of year	1,307,549	844,656
Cash and cash equivalents, end of year	$ 1,114,090	$ 1,307,549
Supplementary Information		
Interest paid	$ 15,171	$ 13,568

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2008

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Clinic follows the deferral method of accounting for contributions which include donations and government grants.

The Clinic is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2008.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Inventories

Inventories are carried at the lower of cost and net realizable value determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded in the capital asset fund at fair value at the date of contribution. Capital assets funded completely by grants are recorded in the statement of financial position. Amortization, which is reported in the capital asset fund, is provided on a straight-line basis over the assets' estimated useful lives as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years
Automobiles	7 years

Contributed Services

Volunteers contributed a significant number of hours to assist Mount Carmel Clinic carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments

The Clinic utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Clinic is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Clinic classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Clinic's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments (guaranteed investment certificates). They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from WRHA, vacation entitlements receivables and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Clinic, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Clinic is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Clinic is currently assessing the impact of the new standard.

1. Entity Definition

Mount Carmel Clinic is a multi-disciplinary community health centre committed to providing comprehensive health care to the community. Mount Carmel Clinic is incorporated under the Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Change in Accounting Policy

On April 01, 2007, the Clinic retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Clinic's consolidated statement of operations.

3. Accounts Receivable

	2008	2007
Receivable from clinic services	$ 239,395	$ 166,231
Allowance for doubtful accounts	-	(450)
	239,395	165,781
Other receivables	68,026	50,406
	$ 307,421	$ 216,187

4. Due from WRHA

	2008	2007
2004/05 and 2005/06 pre-retirement funding	$ -	$ 112,304
2004/05 funding adjustment	38,083	38,083
2005/06 funding adjustment	58,037	58,037
2006/07 funding adjustment	22,214	51,971
2007/08 funding adjustment	106,273	-
2006/07 Day Care funding	-	156,650
2007/08 Day Care funding	90,382	-
	$ 314,989	$ 417,045

5. Accrued Vacation Entitlements

The Clinic records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Clinic's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 381,653	$ 381,653
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 381,653	$ 381,653

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	$ 396,942	$ 404,307
Net increase (decrease) in accrued vacation entitlements	20,190	(7,365)
Balance, end of year	$ 417,132	$ 396,942

6. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Landscaping	$ 222,702	$ -	$ 109,502	$ -
Buildings	4,702,494	2,081,664	3,604,183	1,967,603
Furniture, fixtures and equipment	413,846	116,980	280,891	130,742
Computer equipment	12,695	7,922	54,814	42,959
Automobiles	66,952	38,260	66,952	28,695
Construction-in-progress	-	-	333,460	-
	$ 5,418,689	$ 2,244,826	$ 4,449,802	$ 2,169,999
Cost less accumulated amortization		$ 3,173,863		$ 2,279,803

7. Due to WRHA

	2008	2007
Other	$ 32,395	$ 16,472

8. Deferred Revenue

	2008	2007
Operating Fund		
Day Care Subsidy Advance	$ 15,510	$ 15,510
Day Care Grant	7,549	11,836
Dental	46,000	46,000
Fetal Alcohol Program	73,998	47,469
Other	76,474	35,092
Parenting Student Program	28,583	11,978
Primary Health	45,521	42,347
FACT Coalition	84,053	59,848
Safe Corridors Project	181,672	21,836
	559,360	291,916
Donation Fund		
Sage House	20,765	20,326
Mount Carmel Foundation	84,789	205,448
Child Day Care Centre	18,226	14,492
Other	5,857	35,299
	129,637	275,565
	$ 688,997	$ 567,481

9. Long-Term Debt

	2008	2007
Term loan - CIBC	$ -	$ 145,075
Current portion of long-term debt	-	3,388
	$ -	$ 141,687

During the current year, the Clinic paid the outstanding principle balance of the term loan from CIBC.

10. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2008	2007
Balance, beginning of year	$ 23,990	$ 17,098
Add amounts during year	11,980	9,000
Less amounts used during year	-	(6,908)
Transfer from Day Care	4,800	4,800
Balance, end of year	$ 40,770	$ 23,990

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2008	2007
Balance, beginning of year	$ 1,721,496	$ 1,559,201
Additional contributions received	846,261	267,430
Less amounts amortized to revenue	(125,788)	(105,135)
Balance, end of year	$ 2,441,969	$ 1,721,496

11. Operating Line of Credit

The Clinic has an operating line of credit for $275,000 which bears interest at the bank's prime rate. The balance in the line of credit at year end was $NIL (2007 - $NIL). The Clinic's approved line of credit are secured by a general assignment of the Clinic's assets.

12. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 3,173,863	$ 2,279,803
Less amounts financed by		
Deferred contributions	2,441,969	1,721,496
Loan payable	-	145,075
Advances from other funds (net of cash on deposit)	140,438	(118,669)
	$ 591,456	$ 531,901

B. Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 125,788	$ 105,135
Amortization of capital assets	(170,635)	(153,940)
Other items (net)	401	-
	$ (44,446)	$ (48,805)
Net changes in investment in capital assets		
Purchase of capital assets	$ 1,064,694	$ 317,138
Amounts funded by		
Deferred contributions	(846,261)	(267,430)
Advances to (from) other funds	(259,507)	95,666
Repayment of loan	145,075	3,304
	$ 104,001	$ 148,678

13. Revenue from the WRHA

	2008	2007
Revenue as per WRHA final funding document (March 17, 2008 EFT)	**$ 6,177,036**	$ 5,916,793
Add:		
Midwifery	**29,350**	30,371
Reserve for major repairs	**-**	6,644
Wound clinic security	**20,734**	20,119
Stat pay adjustment	**1,800**	-
Out of Globe Pre-retirement leave	**17,237**	2,566
Fax line change	**6,927**	-
MNU agreement	**36,589**	-
Diabetes program funding	**14,511**	25,634
Wage standardization	**33,457**	34,216
Skim program	**2,923**	-
TERF	**-**	6,090
	163,528	125,640
Deduct:		
Medical remuneration	**(15,923)**	-
Total funding approved by WRHA	**6,324,641**	6,042,433
Add:		
Day Care operations	**133,732**	198,554
Deduct:		
Reserve for major repairs	**(7,000)**	(7,000)
Deferred revenue - insurance deductible	**(1,000)**	(1,000)
	(8,000)	(8,000)
Revenue from WRHA	**$ 6,450,373**	$ 6,232,987

14. Commitments and Contingencies

A) The nature of the Clinic's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2008, management believes the Clinic has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Clinic's financial position.

B) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

The Clinic is a named insured under the WRHA policy with HIROC.

C) The Clinic leases equipment under the provisions of operating leases for a 60 month period which expire up to January 2013. Commitments to expire are as follows.

2009	$ 13,507
2010	13,507
2011	8,992
2012	4,477
2013	2,805

15. Employee Future Benefits

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Clinic are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Clinic Group Pension Plan. The Clinic's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable form the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Clinic, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ 387,859	$ 387,859
Winnipeg Regional Health Authority	38,954	10,256
	$ 426,813	$ 398,115

15. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 520,639	$ 576,487
Net increase (decrease) in pre-retirement entitlements	27,208	(55,848)
Balance, end of year	$ 547,847	$ 520,639

b) Pension plan

Substantially all of the employees of the Clinic are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.40% of salary, 8.00% for salaries greater than $41,100, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006 indicates the plan is fully funded. Contributions to the plan made during the year by the Clinic on behalf of its employees amounted to $263,010 (2007 - $285,315) and are included in the statement of operations.

16. Economic Dependence

The volume of financial activity undertaken by the Clinic with its main funding bodies is of sufficient magnitude that the discontinuance of that funding would endanger the ability of the Clinic to continue as a going concern.

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the statement of financial position of Nine Circles Community Health Centre Inc. as at March 31, 2008 and the statements of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Nine Circles Community Health Centre Inc. derives part of its revenues from the general public in the form of contributions and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

We were appointed auditors during the year and were therefore unable to perform audit procedures on the Organization's opening financial statement balances. As a result of being unable to perform audit procedures on the opening balances, we were unable to determine whether any adjustments were necessary with respect to assets, liabilities and fund balances.

In our opinion, except as explained in the preceding paragraphs and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning both the completeness of those revenues referred to above and the opening balances referred to above, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 15, 2008

Nine Circles Community Health Centre Inc.
Statement of Financial Activities
Year Ended March 31, 2008

	Operating Fund	Capital Fund	Ed Mousseau Fund	Total
Revenues				
Winnipeg Regional Health Authority	$2,303,563	$ -	$ -	**$2,303,563**
AIDS Community Action Program	292,000	-	-	**292,000**
Grants	218,626	-	-	**218,626**
Interest income	29,192	-	4,598	**33,790**
Donations	9,577	-	-	**9,577**
Other	4,638	-	-	**4,638**
Amortization of deferred contributions	-	22,550	-	**22,550**
	2,857,596	22,550	4,598	**2,884,744**
Expenses				
Operating Fund (Page 10)	2,769,633	-	-	**2,769,633**
Amortization	-	30,214	-	**30,214**
	2,769,633	30,214	-	**2,799,847**
Excess (deficiency) of revenues over expenses before under noted items	87,963	(7,664)	4,598	**84,897**
Pre-retirement leave (Note 11)				
Current year recovery	11,933	-	-	**11,933**
Expense	(14,785)	-	-	**(14,785)**
Excess (deficiency) of revenues over expenses	$ 85,111	$ (7,664)	$ 4,598	**$ 82,045**

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances
March 31, 2008

	Unrestricted Funds	Invested in Capital Assets	Ed Mousseau Fund	Total
Fund balance, beginning of year	$ 248,007	$ 78	$ -	**$ 248,085**
Excess (deficiency) of revenues over expenses	85,111	(7,664)	4,598	**82,045**
Transfer to Capital Fund	(6,615)	6,615	-	**-**
Fund balance, end of year	$ 326,503	$ (971)	$ 4,598	**$ 330,130**

Nine Circles Community Health Centre Inc.
Statement of Financial Position
March 31, 2008

Assets	
Current	
Cash and short-term investments (Note 4)	**$1,086,691**
Receivables	**234,100**
Due from Winnipeg Regional Health Authority	**10,000**
Prepaids	**4,273**
	1,335,064
Long-term investments	**134,860**
Capital (Note 5)	**47,106**
	$1,517,030
Liabilities	
Current	
Payables and accruals	$ 432,259
Funds held in trust (Note 6)	11,366
Deferred contributions	
General operations (Note 7)	467,581
	911,206
Deferred contributions	
Related to capital assets (Note 8)	48,077
Restricted contributions (Note 9)	130,262
Pre-retirement leave (Note 11)	97,355
	1,186,900
Fund Balances	
Operating Fund	326,503
Capital Fund	(971)
Ed Mousseau Fund	4,598
	330,130
	$1,517,030

Commitments (Note 10)

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

1. Nature of operations

Nine Circles Community Health Centre Inc. is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost.

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	5 years	straight-line
Computer equipment	4 years	straight-line
Computer software	4 years	straight-line
Leaseholds	2.5 - 8 years	straight-line

Amortization expense is reported in the Capital Fund.

booke & partners
CHARTERED ACCOUNTANTS

2. Significant accounting policies (cont.)

d) Investments

Short-term investments are classified as held-to-maturity financial assets. The short-term investments are comprised of a non-redeemable Guaranteed Investment Certificate and are recorded at amortized cost.

Long-term investments are classified as held-for-trading financial assets. The long-term investments are comprised of money market funds and are recorded at market value based on bid prices at year end. Changes in fair value are the result of interest income and are recognized in the statement of financial activities when earned.

See Note 3 for change in accounting policy adopted during 2008.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization's financial instruments consist of cash and short-term investments, receivables, long-term investments, payables and accruals, funds held in trust and pre-retirement leave. The fair values of cash, receivables, payables and accruals, funds held in trust and pre-retirement leave approximate their carrying values. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Change in accounting policy

In April 2005, the Canadian Institute of Chartered Accountants introduced new Handbook Sections 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation. The Organization has adopted these sections for the fiscal year ended March 31, 2008. As a result of this adoption, the Organization has elected to classify its short-term investments as held-to-maturity, measured at amortized cost rather than book value held at the commencement of the fiscal year and its long-term investments as held-for-trading, measured at fair value rather than book value held at the commencement of the fiscal year. The new accounting policy does not result in any changes to the values previously reported for these financial instruments as book value already approximated fair value.

4. Cash and short-term investments

Cash and short-term investments consist of:

Cash	**$ 688,294**
Cash held in trust	**11,366**
Royal Bank of Canada GIC, bearing interest at 4.15%, maturing and renewed annually on March 9th	**387,031**
	$1,086,691

5. Capital assets

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 52,076	$ 45,724	$ 6,352
Computer equipment	72,594	56,257	16,337
Computer software	34,311	34,311	-
Leaseholds	79,470	55,053	24,417
	$ 238,451	$ 191,345	$ 47,106

6. Funds held in trust

The Organization administers funds on behalf of the PHA Caucus of Manitoba.

7. Deferred contributions

Deferred contributions represent unrestricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

The changes for the year in the deferred contributions balance are as follows:

Beginning balance	**$ 313,259**
Grant revenue recognized during the year	**(271,658)**
Contributions received during the year	**425,980**
Ending balance	**$ 467,581**

booke & partners
CHARTERED ACCOUNTANTS

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $48,077 represent grants and donations for equipment, computer equipment, computer software and leasehold improvements. Deferred contributions are amortized in the capital fund on the statement of financial activities.

9. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS.

10. Commitments

The Organization has entered into a lease agreement for its premises expiring on June 30, 2009 with an aggregate minimum annual rental of $179,694. A lease renewal is in the final negotiation stage at year end with an aggregate minimum annual rental of $238,255.

The Organization also leases various office equipment.

The minimum lease payments for the next five years is as follows:

2009	$	185,870
2010		229,791
2011		239,866
2012		239,152
2013		238,255

11. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligaton that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $14,785.

A portion of the pre-retirement benefits for the current year of $11,933 were funded by Winnipeg Regional Health Authority during the year.

booke & partners
CHARTERED ACCOUNTANTS

12. Economic dependence

The volume of financial activity undertaken by Nine Circles Community Health Centre Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

13. Statement of cash flows

This statement has not been presented as management does not believe it provides additional meaningful information

14. Comparative figures - not presented

Comparative balances showing the figures for the corresponding preceding year have not been prepared since the presentation of the financial statements has changed in such a way which precludes the comparative figures from being meaningful.

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses
Year Ended March 31, 2008

Salaries	$1,479,056
Physician salaries and benefits	441,886
Employee benefits	214,494
Health and education tax	32,499
Medical	19,472
Purchased and professional services	105,561
Rent and insurance	182,779
Maintenance	94,301
Travel and course fees	63,786
General expenses	259,199
	2,893,033
Less: recoveries	(123,400)
	$2,769,633

BOKHAUT & COMPANY

CHARTERED ACCOUNTANT INC

AUDITOR'S REPORT

To the Board of Directors of
Nor' West Co-op Community Health Centre, Inc.,

We have audited the statement of financial position of Nor'West Co-op Community Health Centre, Inc. (the Co-operative) as at March 31, 2008 and the statements of operations and changes in surplus for the year then ended. These financial statements are the responsibility of the Co-operative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Co-operative as at March 31, 2008 and the results of its operations and changes in surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

June 13, 2008
Winnipeg, Manitoba
Bokhaut & Company
Chartered Accountant Inc.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

Nor'West Co-op Community Health Centre, Inc.

Statement of Financial Position

As at March 31, 2008

	2008	2007
ASSETS		
Cash and term deposits	1,023,306	864,796
Accounts receivable (Note 4)	180,461	196,532
Prepaid expenses	1,949	1,880
Vacation entitlement receivable	133,168	109,217
	1,338,884	1,172,425
CAPITAL ASSETS (Note 5)	55,048	41,198
TOTAL ASSETS	**1,393,932**	**1,213,623**
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	166,918	127,643
Vacation entitlement payable	144,254	116,924
Deferred revenue (Note 8)	50,247	84,294
	361,419	328,861
DEFERRED CONTRIBUTIONS (Note 9)	54,365	39,155
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION (Note 11)	101,052	104,881
TOTAL LIABILITIES	516,836	472,896
FUND BALANCES		
Membership fees	2,147	2,135
Surplus		
Invested in capital assets	672	2,032
Internally restricted	103,500	103,500
Restricted for EAS Program	77,342	80,779
Restricted for Family Voilence Couns. Program	83,023	73,359
Restricted for Community Development	8,512	8,513
Restricted for IWCS Program	109,767	95,171
Restricted for Women's Place	63,290	-
Surplus subject to audit	98,361	76,865
Unrestricted	330,482	298,372
TOTAL FUND BALANCES	**877,096**	**740,726**
TOTAL LIABILITIES AND FUND BALANCES	**1,393,932**	**1,213,623**

Approved on behalf of the Board:

Chairperson

The accompanying notes to the financial statements are an integral part of these financial statements.

Nor'West Co-op Community Health Centre, Inc.

Statement of Changes in Surplus

For the year ended March 31, 2008

HEALTH CENTRE	Membership	Invested in Capital assets	Internally Restricted	Restricted FAS Program	Restricted Family Violence	Restricted Comm Develop	Restricted IWCS Program	Restricted Women's Place	Surplus subject to WRHA audit	Unrestricted	2008	2007
Balance beginning of year	1,965	2,032	103,500	110,779	77,359	8,513	95,171	-	76,865	231,220	673,404	529,513
Membership	12	-	-	-	-	-	-	-	-	-	12	-
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-	-	-	-	-	-
Year End Assessments-01/02, 02/03, 03/04 Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	-	(1,360)	-	(3,438)	5,664	-	14,596	63,290	21,496	35,420	139,668	143,892
Balance end of year	1,977	672	103,500	107,341	83,023	8,513	109,767	63,290	98,361	266,640	813,084	673,405
EARLY LEARNING CHILD CARE CENTRE												
Balance, beginning of year	170	-	-	-	-	-	-	-	-	67,152	67,322	60,363
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	-	(3,308)	(3,308)	6,959
	170	-	-	-	-	-	-	-	-	63,844	64,014	67,322
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-	-	-	-	-	-
Balance, end of year	170	-	-	-	-	-	-	-	-	63,844	64,014	67,322
Total Surplus (Deficit), end of year	**2,147**	672	103,500	107,341	83,023	8,513	109,767		**98,361**	**330,484**	**877,098**	**740,727**

The accompanying notes to the financial statements are an integral part of these financial statements.

BOKHAUT & COMPANY
CHARTERED ACCOUNTANT INC
Page 1712

Nor'West Co-op Community Health Centre, Inc.

Statement of Operations

For the year ended March 31, 2008

	Health Centre	Early Learning and Child Care Centre	2008	2007
	(Schedule 1)	(Schedule 2)		
Revenue				
Winnipeg Regional Health Authority	1,162,001	-	1,162,001	1,142,185
Family Services and Housing	701,690	-	701,690	425,600
Healthy Child Manitoba	334,449	-	334,449	336,878
Winnipeg Foundation	107,297	-	107,297	165,194
United Way	204,100	-	204,100	148,446
Child care fees	-	186,310	186,310	140,447
Maintenance fees	-	143,197	143,197	101,629
Manitoba Housing Authority	24,745	-	24,745	27,310
Manitoba Justice	20,000	-	20,000	18,825
Province of Manitoba	-	43,065	43,065	20,671
Manitoba Law Foundation	-	-	-	12,393
Manitoba Community Services Council Inc /Community Places	1,550	5,000	6,550	11,500
Community Connections/Urban Green Team	14,696	-	14,696	10,066
Investors Group	10,000	-	10,000	10,000
Manitoba Arts Council	6,822	-	6,822	9,228
Manitoba Health	-	-	-	8,900
Manitoba Labour and Immigration	36,722	-	36,722	8,476
Human Resource Development Canada	-	-	-	7,122
Red River Co-op	-	-	-	5,328
Success Skills Centre	12,192	-	12,192	2,178
Other	41,623	29,708	71,423	45,095
Interest Income	32,117	2,158	34,275	32,226
Amortization of deferred contributions (Note 9)	15,466	-	15,466	13,479
Deferred revenue (Note 8)	(150,247)	-	(150,247)	(64,291)
	2,675,218	409,435	3,084,653	2,618,956
Expenses				
Accounting and computer fees	17,143	-	17,143	18,135
Administrative	83,558	19,460	103,018	111,709
Amortization	16,827	-	16,827	15,226
Information technologist	8,814	-	8,814	6,242
Medical supplies	16,982	-	16,982	18,918
Pre-retirement	14,155	1,643	15,798	7,867
Professional fees	5,740	-	5,740	5,805
Program expenses	144,590	42,426	187,016	109,613
Rent	83,328	39,710	123,038	112,684
Repairs and maintenance	26,984	-	26,984	35,517
Salaries and benefits	2,039,014	309,504	2,348,518	1,973,481
Service contracts	11,676	-	11,676	11,009
Staff training	39,390	-	39,390	18,919
Travel-staff	27,350	-	27,350	23,590
	2,535,551	412,743	2,948,294	2,468,105
Excess of revenue over expenses	139,667	(3,308)	136,359	150,851

The accompanying notes to the financial statements are an integral part of these financial statements

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

1. Purpose of Organization

Nor'West Co-op Community Health Centre, Inc. (the "Co-operative") works in partnership with the community to promote health and well being in its geographic neighborhoods and identified populations. The Co-operative was incorporated November 23, 1972 without share capital, presently operates under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The Co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. Significant Accounting Policies

Fund accounting
The Health Centre fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's primary care, health promotion, counseling and foot care outreach programs.

The Sunshine Day Nursery Fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's daycare centre.

Revenue recognition
Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate program when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services
In the normal course of business, the Co-operative receives volunteer assistance in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer services are not recognized in the financial statements.

Donations in kind
Donated materials and services are recognized in the financial statements only when a fair value can be reasonably estimated and when the materials and services would be purchased in the normal course of operations if not donated.

Capital assets
Purchased capital assets are recorded at cost. Depreciation is provided on a straight-line basis over their estimated useful lives as follows:

Furniture, fixtures, and equipment	5 years
Computer software and hardware	3 years
Leasehold Improvements	5 years

2. Significant Accounting Policies (cont'd)

Vacation entitlement receivable/payable
These employee benefits are recorded in accordance with the policy determined by WRHA. This policy is to record the amount of the accrued liability for these costs on the Statement of Financial Position, and any change in the accrual on the Statement of Operations. The receivable on the Statement of Financial Position is to be capped at the balance as at March 31, 2004.

Internally restricted surplus
In fiscal 1998, the Co-operative's board of directors internally restricted resources amounting to $63,500. In fiscal 2001, the Co-operative's board of directors internally restricted an additional $40,000. These amounts are to be used for purchasing a building for an additional Health Centre. These internally restricted amounts are not available for other purposes without approval of the board of directors.

Surplus subject to audit
On an annual basis, the Co-operative estimates and records adjustments to its surplus accounts for potential funding adjustments as a result of Winnipeg Regional Health Authority's periodic audits of the Co-operative's expenditures.

Measurement uncertainty
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of financial statements are the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Economic Dependence

The Co-operative is economically dependent on funding from the Winnipeg Regional Health Authority. If funding were discontinued, it would affect the Co-operative's ability to continue operations.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

4. Accounts Receivable

	2008	2007
HEALTH CENTRE		
Goods and Services Tax receivable	10,660	10,451
Winnipeg Regional Health Authority	56,344	78,757
Grants Receivable	69,052	70,600
Other	5,971	7,861
	142,027	167,669
EARLY LEARNING CHILD CARE CENTRE		
Goods and services tax receivable	1,926	1,179
Day care fees	30,870	15,532
Family Services & Housing - Daycare 1 time funding	5,639	6,750
Mount Carmel Clinic	-	5,402
	38,434	28,863
Total	**180,461**	**196,532**

5. Capital Assets

	Cost	Accumulated Amortization	2008 Net	2007 Net
Furniture, fixtures and equipment	72,019	43,915	28,104	39,951
Computer software	16,646	16,646	-	-
Computer hardware	46,066	37,750	8,316	1,247
Leasehold improvements	20,698	2,070	18,628	-
	155,429	100,381	55,048	41,198

6. Accounts Payable And Accrued Liabilities

	2008	2007
HEALTH CENTRE		
Winnipeg Regional Health Authority	12,822	12,030
Trade payables	51,020	49,885
Accrued audit fees	6,631	6,517
Salaries payable	61,610	39,442
Other	20,094	3,376
	152,178	111,250
EARLY LEARNING CHILD CARE CENTRE		
Accrued audit fees	1,920	1,974
Subsidy advances	8,680	8,680
Salaries payable	841	406
Other	3,300	5,333
	14,740	16,393
Total	**166,918**	**127,643**

6. Accounts Payable And Accrued Liabilities (continued)

The repayable subsidy advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. Operating Leases

The Co-operative leases premises and a photocopy machine under operating lease agreements. The future minimum lease payments for the remaining terms of the operating leases are as follows:

2009	$115,519
2010	$84,707
2011	$52,956
2012	$52,956
2013	$52,956

8. Deferred Revenue

Deferred revenue relates to restricted operating funding for various programs received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2008	2007
Beginning balance	84,294	105,349
Less: amount recognized as revenue in the year	(174,342)	(80,600)
Add: amount received related to the following year	140,296	59,545
	50,274	84,294

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2008

9. Deferred Contributions Related To Capital Assets

Contributions related to capital assets are deferred and are being recognized as revenue on the same basis as the depreciation on the related capital assets.

The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

	2008	2007
Beginning balance	39,154	43,815
Contributions	30,677	8,809
Amounts recognized in revenue	(15,466)	(13,470)
	54,365	39,154

10. Pension

The Co-operative has a defined contribution pension plan. During the year, the Co-operative made actual cash contributions of $118,388 (2007-$94,047). The pension contributions are included in employee benefits of the applicable programs in the statement of operations.

11. Pre-retirement Leave Benefit Obligation

Based on continuance of funding bodies policies to reimburse facilities for pre-retirement leave, the Co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rata basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For 2007/2008, WRHA agreed to provide pre-retirement funding of 64.25% of benefits paid by the organization. Employee applications for early retirement during the year amounted to $19,627 (2007-$0).

During 2008, the benefit obligation earned by employees as at March 31, 2008 was actuarially determined to be $101,052. This has been reported as a liability on the Statement of Financial Position.

12. Statement of Cash Flow

A statement of cash flow has not been presented since the sources and uses of cash are readily apparent from the information included in the financial statements.

CANWEST GLOBAL PLACE - SUITE 2420 - 201 PORTAGE AVE. - WINNIPEG, MB R3B 3K6
PH. (204) 947-1962·TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg, Manitoba, Canada, R3C 4L5
Telephone/Téléphone: (204) 956-7200
Telefax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

We have audited the statement of financial position of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 23, 2008

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 182,961	$ 146,001
Short-term investments (Note 2)	408,579	400,000
Accounts receivable	127,487	107,383
Employee benefits recoverable (Note 4)	230,242	230,242
Inventory - supplies on hand	24,397	7,071
Prepaid expenses	19,052	16,547
Due from Winnipeg Regional Health Authority (Note 6)	41,723	-
	1,034,441	907,244
Deferred benefit entitlements (Note 4)	377,907	357,416
Capital assets (Note 5)	2,200,659	2,285,613
	$ 3,613,007	$ 3,550,273
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 280,177	$ 197,753
Due to Winnipeg Regional Health Authority (Note 6)	-	118,318
Accrued vacation entitlements (Note 4)	241,088	255,575
Trust liabilities	14,497	13,606
Advances from Winnipeg Regional Health Authority	142,078	-
	677,840	585,252
Pre-retirement entitlement (Note 4)	345,170	324,679
Deferred Contributions		
Externally restricted (Schedule 1)	73,297	66,768
Capital assets (Schedule 2)	2,134,640	2,219,594
Donations (Schedule 3)	19,159	4,366
Reserve for insurance deductible (Schedule 4)	6,153	5,153
	2,233,249	2,295,881
Total liabilities and deferred contributions	3,256,259	3,205,812
Contingencies (Note 9)	-	-
Net assets, unrestricted	356,748	344,461
	$ 3,613,007	$ 3,550,273

Approved on behalf of the Board:

Mary Knight Chairperson

Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Changes in Net Assets

For the year ended March 31	2008	2007
Balance, beginning of year	**$ 344,461**	$ 199,521
Excess of revenue for the year	**12,287**	144,940
Balance, end of year	**$ 356,748**	$ 344,461

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority (Note 8)	$ 3,268,384	$ 3,162,764
Residential charges	1,496,621	1,464,688
Amortization of deferred contributions related to capital assets	112,169	112,410
Recoveries and offset income	76,437	57,187
Adult day care program (Schedule 5)	61,525	61,817
Mortgage interest subsidy	45,359	56,045
Interest earned	17,246	13,272
Donations and other	7,453	28,692
	5,085,194	4,956,875
Expenditures		
Nursing personal care	2,798,400	2,647,898
Food services	636,836	605,140
General and administrative	332,698	344,096
Housekeeping	216,303	188,099
Plant maintenance	210,481	134,866
Plant operation	203,125	195,644
Recreation	161,483	138,629
Laundry and linen	126,931	124,287
Amortization	112,169	112,410
In-service education	86,329	81,784
Adult day care program (Schedule 5)	56,823	59,949
Interest on long-term debt	48,401	58,208
Social work	41,512	45,962
Donations and other	6,303	18,129
	5,037,794	4,755,101
Excess of revenue over expenditures for the year before the undernoted	47,400	201,774
Pre-retirement payouts	(14,622)	(64,811)
Pre-retirement future benefits expenses (Note 4)	(20,491)	(36)
Winnipeg Regional Health Authority prior year adjustments	-	8,013
Excess of revenue for the year	$ 12,287	$ 144,940

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenues for the year	$ 12,287	$ 144,940
Adjustments for		
Amortization of capital assets	112,169	112,410
Amortization of deferred contributions related to capital assets	(112,169)	(112,410)
	12,287	144,940
Changes in non-cash working capital balances		
Accounts receivable	(20,104)	101,050
Due from Winnipeg Regional Health Authority	(41,723)	-
Inventory - supplies on hand	(17,326)	(708)
Prepaid expenses	(2,505)	(10,415)
Deferred benefit entitlements	(20,491)	(36)
Accrued vacation entitlement	(14,487)	14,445
Pre-retirement entitlement	20,491	36
Advances from Winnipeg Regional Health Authority	142,078	-
Accounts payable and accrued expenses	82,424	(124,367)
Due to Winnipeg Regional Health Authority	(118,318)	(244,365)
Trust liabilities	891	942
	10,930	(263,418)
	23,217	(118,478)
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	6,529	(11,914)
Deferred contributions - capital assets	27,215	27,693
Deferred contributions - donations	14,793	(7,397)
Reserve for insurance deductible	1,000	984
	49,537	9,366
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	(27,215)	(25,962)
Decrease in short-term investments	(8,579)	(50,000)
	(35,794)	(75,962)
Increase (decrease) in cash and cash equivalents	36,960	(185,074)
Cash and cash equivalents, beginning of year	146,001	331,075
Cash and cash equivalents, end of year	$ 182,961	$ 146,001

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2008

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge. The financial data of the Odd Fellows And Rebekahs Personal Care Home Inc. are excluded since they are not required in assessing the financial operations of the Lodge.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority ("WRHA") relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	10 years, straight-line basis
Buildings	50 years, straight-line basis
Equipment	10 years, straight-line basis

Inventory

Supplies on hand are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2008

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities, and amounts due to (from) Winnipeg Regional Health Authority. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. The organization has classified accounts receivable, employee benefits recoverable, due from WRHA and deferred benefit entitlements in this category.

Held-for-trading - This category is comprised of certain investments in equity and debt instruments. The organization has classified all cash, bank indebtedness and investments in this category. They are carried on the statement of financial position at the fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred. The organization has classified accounts payable, accrued liabilities, due to WRHA, accrued vacation entitlements, advances from WRHA and pre-retirement entitlement in this category.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2008

Employee Benefits

The organization records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the organization's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in Note 4.

The cost of the organization's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the organization's future employee benefits payable include mortality and withdrawal rates, a discount rate of 5.5% (4.85% in 2007), a rate of salary increase of 3.5% (3% in 2007) plus an age-related merit/promotion scale with no provision for disability.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial instruments - disclosures and presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

New Accounting Pronouncements (cont'd)

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The organization is currently assessing the impact of the new standard.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

March 31, 2008

1. Nature and Purpose of Organization

The Odd Fellows and Rebekahs Care Homes Inc. Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

2. Short-term Investments

	2008	2007
Manitoba Builder Bonds, 4.25%, matures June 15, 2008	$ **200,000**	$ 200,000
Steinbach Credit Union Plan 24 Savings, 4.25%	**105,229**	100,000
CIBC GIC Investment, 3.45%, matures October 4, 2008	**103,350**	100,000
	$ **408,579**	$ 400,000

3. Change in Accounting Policy

On April 1, 2007, the organization retroactively adopted, without restatement of net assets, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no effect on recorded amounts presented in the balance sheet or the statement of operations at the beginning of the year.

4. Future Employee Benefits Recoverable

Employee pre-retirement benefits are accrued as incurred as determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of March 31, 2008 reports an obligation of $345,170 ($324,679 in 2007). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The organization has been notified by the WRHA that the incremental pre-retirement liability for fiscal 2008 of $20,491 ($36 in 2007) will be funded together with a portion of the incremental pre-retirement benefits liability for fiscal 2005 and 2006, which netted to zero for the organization.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing at March 31, 2004, adjusted for allocations from the WHRA in 2005, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the WRHA, and through it to Golden Links Lodge, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount is reflected as a current year expense on the statement of operations following the "excess of revenue over expenditures before other items" balance.

5. Capital Assets

			2008	2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 215,833	$ 1,194	$ 3,083
Buildings	3,397,938	1,535,841	1,862,097	1,921,962
Building addition Special Needs Unit	388,858	129,619	259,239	350,786
Equipment	884,180	806,051	78,129	9,782
Equipment Special Needs Unit	31,771	31,771	-	-
	$ 4,919,774	$ 2,719,115	$ 2,200,659	$ 2,285,613

6. Due (from) to Winnipeg Regional Health Authority Inc.

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is repayable to the WRHA. Those surpluses that are retained by the organization are subject to review by the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

Differences that may occur on final settlement of approved costs are charged directly to net assets or operations. Prior years surplus and deficit, settlement for which has not yet been adjusted is as follows:

	2008	2007
2005 fiscal year end	$ 153,650	$ 153,650
2006 fiscal year end	9,415	9,415
2007 fiscal year end	(44,747)	(44,747)
2008 fiscal year end	(160,041)	-
Balance, end of year	$ (41,723)	118,318

7. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

8. Winnipeg Regional Health Authority Operating Income

	2008	2007
Budgeted Items	$ 3,058,416	$ 3,051,765
Current adjustments - Out of Globe	209,968	110,999
Balance, end of year	$ 3,268,384	$ 3,162,764

9. Contingencies

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

10. Land Lease

The land used by the organization is owned by the Grand Lodge of Manitoba, I.O.O.F. The organization has leased the land for a term of 50 years from March 1, 1980 without any leasing cost other than maintaining the property.

11. Pension Plans

Eligible employees of the organization are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") that is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

During the year, the organization contributed $186,648 ($168,513 in 2007) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 8.4% on earnings in excess of the YMPE.

12. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31		2008		2007
Reserve for Major Repairs				
Balance, beginning of year	$	**48,282**	$	47,903
Current year funding		**18,344**		18,336
Current year expenditures		**(18,450)**		(17,957)
Balance, end of year	$	**48,176**	$	48,282
Equipment Replacements				
Balance, beginning of year	$	**18,486**	$	30,779
Current year funding		**15,400**		15,400
Current year expenditures		**(8,765)**		(27,693)
Balance, end of year	$	**25,121**	$	18,486
Total Deferred Contributions - Externally Restricted	$	**73,297**	$	66,768

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2008	2007
Balance, beginning of year	$ **2,219,594**	$ 2,304,311
Current year funding	**-**	-
Transfer from deferred contributions - equipment	**27,215**	27,693
Amortize to revenue	**(112,169)**	(112,410)
Balance, end of year	$ **2,134,640**	$ 2,219,594

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31	2008	2007
Balance, beginning of year	$ 4,366	$ 11,763
Current year donations	19,194	4,874
Current year expenditures	(4,401)	(12,271)
Balance, end of year	$ 19,159	$ 4,366

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31	2008	2007
Balance, beginning of year	$ 5,153	$ 4,169
Current year funding	1,000	984
Balance, end of year	$ 6,153	$ 5,153

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31	2008	2007
Revenues		
Winnipeg Regional Health Authority	$ 53,210	$ 52,416
Participants	8,315	9,401
	61,525	61,817
Expenditures		
Salaries and benefits	31,146	30,066
Transportation	15,402	16,989
Meals	7,032	6,467
Supplies	2,654	5,943
Health and education levy	589	484
	56,823	59,949
Excess of revenue over expenditures for the year	$ 4,702	$ 1,868

Auditors' Report

To the Board members of Park Manor Personal Care Home Inc :

We have audited the statement of financial position of Park Manor Personal Care Home Inc. as at March 31, 2008 and the statements of operations and changes in net assets, including the supporting schedule for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 9, 2008

Chartered Accountants

Park Manor Personal Care Home Inc.

Statement of Financial Position

As at March 31, 2008

	2008	*2007*
Assets		
Current		
Cash *(Note 4)*	834,169	1,176,513
Short term investments *(Note 5)*	1,575,664	1,332,366
Accounts receivable *(Note 6)*	94,190	125,725
Prepaid expenses	26,457	25,621
	2,530,480	2,660,225
Capital assets *(Note 7)*	1,774,146	1,838,229
Receivable from Winnipeg Regional Health Authority	997,309	737,418
	5,301,935	5,235,872
Liabilities		
Current		
Accounts payable and accruals	1,591,441	1,487,060
Residents' trust payable	7,623	9,343
Current portion of long-term debt	175,000	174,000
	1,774,064	1,670,403
Long-term debt *(Note 8)*	420,744	597,016
Deferred contributions *(Note 9)*	1,206,750	1,030,329
	3,401,558	3,297,748
Net Assets		
Invested in capital assets	41,740	59,709
Unrestricted *(Note 11)*	368,549	335,512
	410,289	395,221
Restricted *(Note 10)*	1,490,088	1,542,903
	1,900,377	1,938,124
	5,301,935	5,235,872

Approved on behalf of the Board of Directors

K Rennie — **Director**

C Gunter — **Director**

The accompanying notes are an integral part of these financial statements

MNP

Park Manor Personal Care Home, Inc.

Statement of Operations

For the year ended March 31, 2008

	Operating Fund	*Adult Day Program*	*Capital Fund*	**2008**	2007
Revenues					
Residential charges	1,633,640	-	-	**1,633,640**	1,589,454
Winnipeg Regional Health Authority					
Operating	3,471,021	-	-	**3,471,021**	3,368,644
Bed grant	7,680	-	-	**7,680**	7,680
Interest on approved borrowing	29,933	-	-	**29,933**	35,520
Year end adjustment *(Note 15)*	(10,051)	-	-	**(10,051)**	(31,022)
Medical salaries	2,952	-	-	**2,952**	2,760
Supplemental funding	111,144	-	-	**111,144**	118,752
Accrued wage adjustment	189,461	-	-	**189,461**	101,077
Pre-retirement leave - future benefits *(Note 16)*	(23,858)	-	-	**(23,858)**	40,573
Pre-retirement leave - current benefits *(Note 16)*	60,620	-	-	**60,620**	10,089
Pre-retirement leave - prior years benefits *(Note 16)*	-	-	-	**-**	25,283
Investment income	952	-	-	**952**	681
Meal recoveries	62,341	-	-	**62,341**	58,287
Amortization of deferred operating contributions *(Note 9)*	733	-	-	**733**	1,500
Amortization of deferred capital contributions *(Note 9)*	-	-	122,066	**122,066**	113,419
Adult Day Program revenue *(Schedule 1)*	-	119,162	-	**119,162**	123,648
	5,536,568	119,162	122,066	**5,777,796**	5,566,345
Expenses					
Amortization	-	-	140,035	**140,035**	136,713
Dietary	181,460	-	-	**181,460**	179,577
Employee benefits	765,117	-	-	**765,117**	686,287
Employee future benefits - pre-retirement adjustment *(Note 16)*	(23,858)	-	-	**(23,858)**	40,573
Employee future benefits - vacation	16,281	-	-	**16,281**	15,845
General expenses	87,288	-	-	**87,288**	83,812
Housekeeping	18,586	-	-	**18,586**	22,732
Interest on long-term debt	36,907	-	-	**36,907**	42,468
Laundry	10,146	-	-	**10,146**	11,446
Linen	27,650	-	-	**27,650**	6,307
Medical administration	2,956	-	-	**2,956**	2,750
Medical supplies	94,908	-	-	**94,908**	96,451
Physical plant	293,738	-	-	**293,738**	298,421
Pre-retirement leave	94,350	-	-	**94,350**	13,727
Salaries and wages	3,893,045	-	-	**3,893,045**	3,825,732
Therapeutic recreation	8,354	-	-	**8,354**	8,777
Adult Day Program expenses *(Schedule 1)*	-	115,765	-	**115,765**	116,476
	5,506,928	115,765	140,035	**5,762,728**	5,588,394
Excess (deficiency) of revenues over expenses	29,640	3,397	(17,969)	**15,068**	(22,049)

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home, Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2008

	Operating Fund *(Note 11)*	Adult Day Program *(Note 11)*	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	322,211	13,301	59,709	**395,221**	417,270
Excess (deficiency) of revenues over expenses	29,640	3,397	(17,969)	**15,068**	(22,049)
Net assets, end of year	351,851	16,698	41,740	**410,289**	395,221

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the guidelines produced by Manitoba Health/Winnipeg Regional Health Authority, and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. Amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over its estimated useful life. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	20-40 years
Computer equipment	straight-line	5 years
Equipment	straight-line	10 years

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expense as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after management's evaluation of collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. **Significant accounting policies** *(Continued from previous page)*

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health/Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists of buildings, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

Financial instruments

Fair Value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's investments are based on quoted market prices.

Classification of financial instruments

The Organization has classified short-term investments as available for sale. These instruments are initially recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Available for sale instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the fund balances upon impairment.

The Organization has classified accounts payable and terms loans due on demand as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the fund balances upon derecognition.

3. Change in accounting policies

Financial instruments

Effective April 1, 2007, the Organization adopted the CICA's new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss).

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives and other financial instruments as separate components of the change in net assets.

The adoption of the standards resulted in cumulative unrealized losses on short-term investments in the amount of $59,492 from prior years and current year gain adjustment of $39,011. Resulting in an cumulative decrease to the Restricted Fund in the amount of $20,478 in the current period. The new requirements were applied prospectively and prior periods have not been restated.

4. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain internal restrictions. Cash on hand earned interest at 3.31% (2007- 4.0%) at year-end. The Organization has available line of operating credit to a maximum of $75,000. The operating line has interest charged annually at the bank's prime rate and is secured by an overdraft lending agreement in the amount of $75,000 and the specific assignment of accounts receivable from Manitoba Health.

	2008	*2007*
Cash on hand	**754,251**	1,113,841
Restricted cash	**79,918**	62,672
	834,169	1,176,513

5. Short term investments

	2008	*2007*
Bond matured in the year	-	175,000
Money market mutual fund	**246,750**	7,974
Canadian Imperial Bank of Commerce GIC, earning interest at 4.35%, maturing June 2008	**250,000**	250,000
Manitoba Builder bonds, earning interest at 4.45%, maturing June 2009	**200,000**	200,000
City of Winnipeg debenture, earning interest at 3.90%, maturing March 2010	**101,046**	100,132
NB bonds, earning interest at 4.5%, maturing December 2009	**204,907**	199,260
Farm Credit Canada bonds, earning interest at 5.5%, maturing June 2010	**191,900**	200,000
Farm Credit Canada bonds, earning interest at 6.00%, maturing September 2012	**181,000**	200,000
Province of Manitoba Step-up bond, earning interest at 4.7%, maturing June 2008	**200,061**	-
	1,575,664	1,332,366

The market value of the portfolio at year-end was $1,575,664 (2007 - $1,272,873) and includes cumulative unrealized losses of $20,479 (2007 - loss of ($59,493)).

The cost of the portfolio at year-end was $1,596,143 (2007 - $1,332,366).

6. Accounts receivable

	2008	*2007*
Trade receivables	**13,797**	12,145
Goods and Service Tax receivable	**16,268**	7,921
Accrued interest receivable	**64,125**	105,659
	94,190	125,725

7. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2008* Net book value	*2007* Net book value
Land	28,266	-	-	**28,266**	-	**28,266**	28,266
Buildings	3,302,015	62,197	-	**3,364,212**	**1,739,147**	**1,625,065**	1,673,774
Computer equipment	41,804	-	6,090	**35,714**	**35,714**	**-**	1,056
Equipment	560,593	13,755	10,690	**563,658**	**442,843**	**120,815**	135,133
	3,932,678	75,952	16,780	**3,991,850**	**2,217,704**	**1,774,146**	1,838,229

8. Long-term debt

	2008	*2007*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017	**288,365**	310,997
Term loan payable in monthly instalments of $8,500 plus interest at prime less 0.5%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2009	**150,729**	256,320
Term loan payable in monthly instalments of $3,920 plus interest at prime less 1.0%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2012	**156,650**	203,690
	595,744	771,016
Less: current portion	**175,000**	174,000
	420,744	597,016

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	175,000
2010	177,000
2011	125,000
2012	42,000
2013	42,000

9. Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recongnized as revenue on the same basis as respective expenditures are made.

Changes for the year in the deferred contribution balance are as follows:

	Capital Fund	*Operating Fund*	*2008*	*2007*
Balance, beginning of year	1,027,426	2,903	**1,030,329**	864,097
Contributions received during the year				
Donations	20,018	-	**20,018**	20,019
Winnipeg Regional Health Authority				
- Principal repayment	256,398	-	**256,398**	158,328
- Equipment replacement	17,500	-	**17,500**	17,500
- Major repairs	4,296	-	**4,296**	4,296
- Mould remediation - lump sum funding	-	-	**-**	80,000
- Insurance deductible	-	1,008	**1,008**	1,008
Recognized as revenue during the year	(122,066)	(733)	**(122,799)**	(114,919)
Balance, end of year	1,203,572	3,178	**1,206,750**	1,030,329

10. Restricted net assets

Internally restricted net assets are comprised of:

	2008	*2007*
Special purpose reserve:		
Balance, beginning of year	**1,542,903**	1,411,029
Trust contributions	**1,796**	13,510
Private grants and donations	**63,908**	55,606
Unrealized loss, adoption of new accounting policy (Note 3)	**(59,492)**	-
Current year change in unrealized gains on available-for-sale asstes (Note 3)	**39,011**	-
Net change in other income (expenses)	**(98,038)**	62,758
Balance, end of year	**1,490,088**	1,542,903

These net assets are restriced in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discrection of the board of directors.

11. Unrestricted net assets

Unrestricted net assets are comprised of:

	2008	*2007*
Personal care operations	**396,275**	366,635
Pre-retirement leave actuarial adjustments	**(44,424)**	(44,424)
Adult Day Program	**16,698**	13,301
	368,549	335,512

12. Financial instruments

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable as described in Note 6. Of the $1,091,499 (2007 - $863,143) of receivables, $896,703 (2006 - $702,734) is due from the Manitoba Health Winnipeg Regional Health Authority.

13. Major Customer

A significant portion of the personal care home's operating fund are received from the Winnipeg Regional Health Authority, of total revenue 70.0% (2007 - 62.1%) is from the Winnipeg Regional Health Authority.

14. Statement of cash flows

A statement of change in cash flows has not been prepared because information about financing and investing activites and their effects on cash resources are readily apparent from the other financial information.

15. Year end adjustment - revenues

The year end adjustment in the revenues section of the Statement of Operations and Changes in Net assets represents the difference between the funding budget and actual for residential charges received from residents. This amount is guaranteed by Winnipeg Regional Health Authority.

16. Pre-retirement leave/vacation pay

Under guidelines produced by Manitoba Health/Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to vacation pay liability is recognized as accounts receivable in the amount of $232,434 as at March 31, 2004.

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

	Future Liability	Accounts Receivable
2004-05	$319,838	$303,367
2005-06	$373,074	$328,650
2006-07	$413,647	$369,223
2007-08	$389,789	$345,365

17. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

Park Manor Personal Care Home Inc.

Schedule 1 - Adult Day Program

For the year ended March 31, 2008

	2008	*2007*
Revenue		
Winnipeg Regional Health Authority - Operating	**106,048**	110,258
Participant fees	**13,114**	13,390
	119,162	123,648
Expenses		
Benefits	**10,235**	9,839
Health and education tax	**1,272**	1,276
Management fees	**1,040**	1,040
Meals	**9,490**	9,788
Salaries and wages	**61,294**	62,528
Supplies	**3,641**	3,314
Travel	**28,793**	28,691
	115,765	116,476
Excess of revenue over expenses	**3,397**	7,172

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Directors of
PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the statement of financial position of the **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 30, 2008

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 18,998	$ -
Restricted cash	111,599	98,294
Accounts receivable (Note 3)	35,474	23,057
Inventories	4,896	3,060
Prepaid expenses	5,023	4,986
Vacation entitlement receivable (Note 4)	121,948	121,948
	297,938	251,345
Retirement obligations asset (Note 9)	145,826	118,866
Capital assets (Note 5)	810,603	1,068,123
	$ 1,254,367	$ 1,438,334
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	$ -	$ 7,336
Accounts payable (Note 7)	350,714	221,477
Accrued vacation entitlements (Note 4)	141,925	127,567
	492,639	356,380
Accrued retirement obligation (Note 9)	145,826	118,866
Deferred contributions (Note 8)	842,109	1,086,804
	1,480,574	1,562,050
Net Assets		
Invested in capital assets	79,134	79,134
Unrestricted	(305,341)	(202,850)
	(226,207)	(123,716)
	$ 1,254,367	$ 1,438,334

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31			2008	2007
	Invested in Capital Assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 79,134	$ (202,850)	$ (123,716)	$ (97,751)
Deficiency of revenue over expenditures for the year	-	(102,491)	(102,491)	(25,965)
Net assets, end of year	$ 79,134	$ (305,341)	$ (226,207)	$ (123,716)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	$ 2,365,945	$ 2,263,469
Residential charges	845,304	831,400
Other income	5,749	6,577
	3,216,998	3,101,446
Expenditures		
Drugs and medical supplies	48,511	54,231
Interest	26,799	-
Office and miscellaneous	57,690	58,243
Other supplies and expenses	40,113	40,845
Professional fees	60,812	27,932
Purchased services	374,709	340,284
Repairs and maintenance	4,502	6,954
Resident trust fees	4,671	5,208
Salaries and benefits	2,377,320	2,282,299
Service charges and fees	7,939	8,407
Shared building operation expenses (Note 10)	338,320	334,889
Telephone	3,972	3,621
Travel	91	123
	3,345,449	3,163,036
Deficiency of revenue over expenditures before amortization	(128,451)	(61,590)
Amortization		
Deferred contributions (Note 8)	257,520	257,520
Capital assets	(257,520)	(257,520)
	-	-
Deficiency of revenue over expenditures before other item	(128,451)	(61,590)
Other Item		
Accrued pre-retirement leave entitlement	25,960	35,625
Deficiency of revenue over expenditures for the year	$ (102,491)	$ (25,965)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (102,491)	$ (25,965)
Amortization of capital assets	257,520	257,520
	155,029	231,555
Changes in non-cash working capital		
Accounts receivable	(12,417)	13,962
Vacation entitlement receivable	(26,960)	(38,646)
Inventory	(1,836)	2,255
Prepaid expenses	(37)	1,455
Accounts payable	129,237	(58,281)
Vacation entitlement payable	41,318	64,877
	284,334	217,177
Cash Flows from Financing Activities		
Deferred contributions	(244,695)	(244,870)
Cash Flows from Investing Activities		
Purchase of capital assets	-	(12,509)
Net increase (decrease) in cash and cash equivalents	39,639	(40,202)
Cash and cash equivalents, beginning of year	90,958	131,160
Cash and cash equivalents, end of year	$ 130,597	$ 90,958
Comprised of		
Cash	$ 18,998	$ -
Restricted cash	111,599	98,294
Bank indebtedness	-	(7,336)
	$ 130,597	$ 90,958

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2008

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Any adjustments will be reflected in the year the final statement of recommended costs is received from WRHA.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2008

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized based on long-term debt repayment funding.

Inventories

Inventories of supplies are carried at the lower of cost and net realizable value determined on a first-in, first-out basis.

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

The Home's financial instruments consist of cash, accounts receivable, accounts payable, and related party balances. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The Home classifies its financial instruments into the following categories based on the purpose for which the asset was acquired. The Home accounting is as follows:

Held-for-trading

This category is comprised of cash and restricted cash. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables and amounts due to related parties. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves in accordance with the CMHC operating agreement.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Inventories

The CICA has issued Section 3031, Inventories, which provide guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard include guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The organization is currently assessing the impact of the new standard.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The organization does not expect the adoption of these changes to have a material impact on its financial statements.

March 31, 2008

1. Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

2. Change in Accounting Policy

On April 1, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement". Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Home's statement of financial position and statement of changes in net assets.

3. Accounts Receivable

	2008	2007
Receivable from residents	$ 7,299	$ 2,779
GST rebate receivable	15,684	15,748
Other	12,491	4,530
	$ 35,474	$ 23,057

4. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	**$ 121,948**	$ 118,927
Net changes in vacation entitlements receivable	**-**	3,021
Balance, end of year	**$ 121,948**	$ 121,948

An analysis of the changes in the accrued vacation entitlements is as follows:

Balance, beginning of year	**$ 127,567**	$ 101,336
Net increase (decrease) in accrued vacation entitlements	**14,358**	26,231
Balance, end of year	**$ 141,925**	$ 127,567

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	**$ 2,477,195**	**$ 1,787,991**	$ 2,477,195	$ 1,563,834
Furniture, fixtures and equipment	**393,568**	**272,169**	393,568	238,806
	$ 2,870,763	**$ 2,060,160**	$ 2,870,763	$ 1,802,640
Cost less accumulated amortization		**$ 810,603**		$ 1,068,123

Amortization of capital assets for the year ended March 31, 2008 is $257,520 (2007 - $257,520).

6. Bank Overdraft

The organization has a demand credit facility with Royal Bank, amounting to $50,000 ($50,000 in 2007), available for operating needs. The overdraft facility bears interest at the bank's prime rate, calculated and payable monthly.

7. Accounts Payable

	2008	2007
Trade accounts payable	$ 39,855	$ 41,220
Due to Manitoba Housing Authority	4,416	-
Salaries and employee benefits payable	98,341	77,060
Winnipeg Regional Health Authority	91,966	95,964
Due to related parties	116,136	7,233
	$ 350,714	$ 221,477

8. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital assets purchased with grants.

Changes in the deferred contribution balance are as follows:

	2008	2007
Balance, beginning of year	$ 988,510	$ 1,234,000
Additional contributions received		
Winnipeg Regional Health Authority	257,520	257,520
Less amounts amortized to revenue	(257,520)	(257,520)
Contributions applied to debt assumed by Province	(258,000)	(245,490)
Balance, end of year	$ 730,510	$ 988,510

8. **Deferred Contributions** (continued)

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represent the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 98,294	$ 97,674
Additional contributions received		
Winnipeg Regional Health Authority	9,975	9,975
Equipment purchases	-	(12,510)
Interest received	3,330	3,155
Balance, end of year	111,599	98,294
Total deferred contributions	$ 842,109	$ 1,086,804

The long-term debt that has been incorporated in deferred contributions includes the following:

Royal Bank Revolving Loan, bearing interest at 4.26%, due April 1, 2008	$730,510

9. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ 83,241	$ 83,241
Winnipeg Regional Health Authority	62,585	35,625
	$ 145,826	$ 118,866

9. Employee Future Benefits (continued)

a) Accrued retirement obligation (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2008	2007
Balance, beginning of year	$ 118,866	$ 83,241
Net increase (decrease) in pre-retirement entitlements	26,010	35,625
Balance, end of year	$ 144,876	$ 118,866

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is in a surplus position. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $113,551 (2007 - $98,313) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

Management fee charges	$	71,720
Shared building operations expenses		338,320

Accounts payable includes $116,136 (2007 - $7,233) payable to related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted 31% of building operation expenses for the year ended March 31, 2008.

11. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note , commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Member of St. Amant Inc.

We have audited the statement of financial position of St. Amant Inc. as at March 31, 2008 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 13, 2008

	Operating Fund		Capital Fund		Total	
	2008	2007	2008	2007	2008	2007

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	$ 2,353,002	$ 3,143,845	$ 35,224	$ 33,224	$ 2,388,226	$ 3,177,069
Employee vacation payable (note 9)	2,136,892	2,111,439	–	–	2,136,892	2,111,439
Funds held in trust for residents	352,049	332,851	–	–	352,049	332,851
Advances (note 4)	377,480	377,480	–	–	377,480	377,480
Current portion of long-term debt (note 5)	–	–	5,575,602	5,635,979	5,575,602	5,635,979
	5,219,423	5,965,615	5,610,826	5,669,203	10,830,249	11,634,818
Future employee pre-retirement benefits payable (note 9)	1,932,109	2,104,142	–	–	1,932,109	2,104,142
Long term debt (note 5)	–	–	1,815,686	1,404,659	1,815,686	1,404,659
Deferred contributions (note 6)						
Expenses of future periods	1,268,325	1,601,628	–	–	1,268,325	1,601,628
Capital assets	–	–	6,046,686	4,989,041	6,046,686	4,989,041
	1,268,325	1,601,628	6,046,686	4,989,041	7,315,011	6,590,669
Fund balances:						
Invested in capital assets	–	–	3,992,122	4,928,491	3,992,122	4,928,491
Internally restricted	816,126	450,905	–	–	816,126	450,905
Unrestricted	383,743	198,016	–	–	383,743	198,016
	1,199,869	648,921	3,992,122	4,928,491	5,191,991	5,577,412
Excess of appraised value over cost	–	–	214,240	214,240	214,240	214,240
Commitment (note 12)						
	$ 9,619,726	$ 10,320,306	$ 17,679,560	$ 17,205,634	$ 27,299,286	$ 27,525,940

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Date: June 19/2008

Approved on behalf of the Member of the Corporation

G. Labossière

Date: June 25/2008

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances

Exhibit 2

Year ended March 31, 2008, with comparative figures for 2007

Page 3

	Winnipeg Regional Health Authority	Family Services	Other Funded	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2008 Combined	2007 Combined
Revenues:									
Manitoba Family Services	$ –	$ 20,652,651	$ –	$ 20,652,651	$ –	$ 20,652,651	$ –	$ 20,652,651	$ 19,394,521
Winnipeg Regional Health Authority	22,975,965	–	–	22,975,965	–	22,975,965	–	22,975,965	22,224,243
Manitoba Health	88,147	770,000	–	858,147	–	858,147	–	858,147	–
Government of Canada	5,187	3,239	–	8,426	–	8,426	–	8,426	11,063
School divisions	–	278,835	–	278,835	–	278,835	–	278,835	555,025
Fees	–	137,109	56,785	193,894	–	193,894	–	193,894	125,691
Grants	71,409	5,564	–	76,973	–	76,973	–	76,973	83,273
Other governments	103,757	–	16,000	119,757		119,757	–	119,757	100,152
Recoveries	388,742	–	–	388,742	–	388,742	–	388,742	403,129
Investment income	143,280	–	–	143,280	–	143,280	–	143,280	121,667
St. Amant Foundation Inc. donations (note 7)	114,822	24,792	18,590	158,204	–	158,204	9,784	167,988	248,884
Amortization of deferred contributions (note 6)	–	–	–	–	–	–	496,270	496,270	500,879
Gain on sale of capital assets	–	–	–	–	–	–	3,870	3,870	20,603
Other programs	136,297	650,365	–	786,662	–	786,662	–	786,662	744,625
	24,027,606	22,522,555	91,375	46,641,536	–	46,641,536	500,140	47,141,460	44,533,755
Expenses:									
Salaries and wages	17,866,804	15,005,478	8,293	32,880,575	–	32,880,575	–	32,880,575	30,810,221
Employee benefits	3,284,085	2,720,066	822	6,006,973	–	6,006,973	–	6,006,973	5,702,696
Purchased services	562,057	26,477	27,815	616,349	–	616,349	–	616,349	319,351
Supplies	1,082,772	151,906	6,883	1,241,561	–	1,241,561	–	1,241,561	1,438,732
Food	551,109	378,464	13,100	943,473	–	943,473	–	943,473	932,260
Utilities	709,676	200,376	–	910,052	–	910,052	–	910,052	881,777
Equipment	96,707	113,284	–	209,991	–	209,991	–	209,991	228,104
Property taxes	226,259	92,853	–	319,112	–	319,112	–	319,112	316,464
Repairs and maintenance	50,558	267,016	–	317,574	–	317,574	–	317,574	393,325
Interest on long-term debt	–	–	–	–	–	–	269,040	269,040	202,056
Amortization	–	–	–	–	–	–	1,777,450	1,777,450	1,393,865
Other (note 8)	(876,547)	2,874,183	24,844	2,022,480	–	2,022,480	22,251	2,044,731	2,215,589
	23,553,480	21,833,843	80,757	45,468,140	–	45,468,140	2,068,741	47,536,881	44,834,440
Excess (deficiency) of revenues over expenses for the year before the undernoted	474,126	688,712	10,618	1,173,396	–	1,173,396	(1,558,817)	(385,421)	(300,685)
Future employee pre-retirement revenue reduction (note 9)	(172,033)	–	–	(172,033)	–	(172,033)	–	(172,033)	289,422
Future employee pre-retirement benefits obligation (note 9)	172,033	–	–	172,033	–	172,033	–	172,033	(132,389)
Excess (deficiency) of revenues over expenses	474,126	688,712	10,618	1,173,396	–	1,173,396	(1,558,817)	(385,421)	(143,652)
Transfer to Capital Fund for purchased capital assets	(59,478)	(11,064)	–	(70,542)	–	(70,542)	70,542	–	–
Transfer to Capital Fund for principal repayment	(103,899)	(180,891)	–	(284,790)	–	(284,790)	284,790	–	–
Transfer to Capital Fund for interest	(66,317)	(200,799)	–	(267,116)	–	(267,116)	267,116	–	–
Transfer to internally restricted	(298,104)	(118,789)	(10,618)	(418,893)	418,893	–	–	–	–
Transfer from internally restricted	53,672	–	–	53,672	(53,672)	–	–	–	–
Net change in fund balances	$ –	$ 177,169	$ –	185,727	365,221	550,948	(936,369)	(385,421)	(143,652)
Fund balances, beginning of year				198,016	450,905	648,921	4,928,491	5,577,412	5,721,064
Fund balances, end of year				$ 383,743	$ 816,126	$ 1,199,869	$ 3,992,122	$ 5,191,991	$ 5,577,412

See accompanying notes to financial statements.

ST. AMANT INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used for):		
Operating activities:		
Deficiency of revenues over expenses	$ (385,421)	$ (143,652)
Items not involving cash:		
Amortization of capital assets	1,777,450	1,393,865
Amortization of deferred contributions	(496,270)	(500,879)
Gain on sale of capital assets	(3,870)	(20,603)
Change in non-cash operating working capital:		
Accounts receivable	(269,877)	61,596
Inventories	4,460	(31,286)
Prepaid expenses	(5,812)	38,644
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	172,033	(126,891)
Due from St. Amant Foundation Inc.	(354,987)	(141,496)
Accounts payable and accrued liabilities	(788,843)	342,972
Employee vacation payable	25,453	135,438
Future employee pre-retirement benefits payable	(172,033)	132,389
Net increase (decrease) in deferred contributions related to expenses of future periods	(333,303)	392,566
	(831,020)	1,532,663
Financing and investing activities:		
Increase in deferred contributions related to capital assets	1,553,915	874,599
Purchase of capital assets	(1,777,835)	(3,577,678)
Proceeds on disposal of capital assets	3,870	362,147
Proceeds from long-term debt	1,142,721	1,615,405
Repayment of long-term debt	(792,071)	(669,634)
	130,600	(1,395,161)
Increase (decrease) in cash	(700,420)	137,502
Cash, beginning of year	1,518,548	1,381,046
Cash, end of year	$ 818,128	$ 1,518,548

See accompanying notes to financial statements.

ST. AMANT INC.

Notes to Financial Statements

Year ended March 31, 2008

General:

St. Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership and promoting excellence in services for Manitobans with developmental disabilities.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Housing (Family Services). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2008. The Organization's Service Purchase Agreement (SPA) with the WRHA continues in effect until March 31, 2012 and the SPA with Family Services continues in effect until March 31, 2009.

The Organization follows the deferral method for contributions on a fund accounting basis as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Investment income is recognized in the Operating Fund in the year in which it is earned.

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the government funded operations of the main residential program, developmental day program and community residences.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted for use in the River Road Place program which cannot be expended without the approval of the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital expenditures funded by operations and by contributions from other funds are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Land is stated at its appraised value as at January 13, 1972. Acquisitions subsequent to 1972 are stated at cost.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

(d) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation (note 5), for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(e) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

(f) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of long-term debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(g) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(h) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

(i) Future employee pre-retirement benefits:

Future pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Organization's accrued future pre-retirement benefit includes mortality and withdrawal rates, a discount rate of 5.50 percent (2007 - 4.85 percent) and a rate of salary increase of 3.50 percent (2007 - 3.00 percent) plus an age related merit/promotion scale with no provision for disability.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Change in accounting policy:

The Organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

Upon adoption of this new standard, the Organization designated cash and funds held in trust for residents as held-for-trading; accounts receivable, vacation pay recoverable from Winnipeg Regional Health Authority, due from St. Amant Foundation Inc. and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, employee vacation payable, funds held in trust for residents, advances and long-term debt as other liabilities. The Organization does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

2. Change in accounting policy (continued):

There was no transitional adjustment for the Organization's held-for-trading financial instruments as their carrying amounts approximate fair value. There was no transitional adjustment for the Organization's other financial instruments as their carrying amounts approximate amortized cost.

3. Capital assets:

	Cost or appraised value	Accumulated amortization	2008 Net book value	2007 Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	488,414	221,616	266,798	286,456
Buildings	16,212,984	8,561,017	7,651,967	7,491,936
Building service equipment	4,638,244	1,680,712	2,957,532	2,886,870
Furniture and equipment	5,787,610	4,550,205	1,237,405	1,408,610
Automotive	184,803	149,940	34,863	43,703
Software	1,014,059	366,335	647,724	801,125
	28,539,002	15,529,825	13,009,177	13,131,588
Community residences:				
Land	1,217,034	–	1,217,034	1,142,771
Land improvements	4,678	2,354	2,324	2,533
Buildings	4,492,880	742,399	3,750,481	3,563,706
Building service equipment	10,124	7,593	2,531	3,037
Furniture and equipment	1,234,764	652,267	582,497	748,529
Automotive	206,000	138,170	67,830	39,325
	7,165,480	1,542,783	5,622,697	5,499,901
	$ 35,704,482	$ 17,072,608	$ 18,631,874	$ 18,631,489

4. Advances:

The Organization has received working capital advances from Manitoba Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. **Long-term debt:**

	2008	2007
Canada Mortgage and Housing Corporation:		
Mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 15, 2015	$ 459,061	$ 501,794
National Bank of Canada - Manitoba Health approved borrowings, due on demand, interest at bank prime rate less .5%, payable $4,891 monthly, principal payments, maturing October 2016	498,864	557,554
St. Amant Foundation Inc.:		
Loans payable, interest at 7.00%	–	9,409
National Bank of Canada, mortgages payable, at interest rates ranging from bank prime to 6.20%, payable $16,877 monthly including principal and interest, maturing at various dates from September 2009 through July 2012	2,765,871	2,685,241
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $4,445 monthly, principal payments, maturing in December 2022	733,325	786,665
Province of Manitoba promissory note, due on demand, unsecured, interest at 4.6%, payable $41,666 monthly, principal payments plus interest, maturing in March 2012	2,000,000	2,499,975
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $7,500 monthly, principal payments, maturing in March 2013	442,500	–
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $8,333 monthly, principal payments, maturing in March 2013	491,667	–
	7,391,288	7,040,638
Current portion	5,575,602	5,635,979
	$ 1,815,686	$ 1,404,659

The long-term debt with National Bank of Canada is secured by certain land and buildings owned by the Organization and for certain loans, letters of comfort from Manitoba Health.

The repayment of the Province of Manitoba promissory note, both principal and interest, has been guaranteed for the term of the note by the Province of Manitoba. Principal and interest payments for fiscal 2007 and 2008 have been funded directly by the Province of Manitoba. These financial statements do not reflect the related funding for and interest paid on the promissory note for fiscal 2007 and 2008.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

5. Long-term debt (continued):

For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

Principal repayments over the next five years and thereafter, based on current repayment terms, are approximately as follows:

2009	$ 5,575,602
2010	119,477
2011	126,350
2012	131,315
2013 and thereafter	1,438,544
	$ 7,391,288

6. Deferred contributions:

(i) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2008	2007
Balance, beginning of year	$ 1,601,628	$ 1,209,062
Additional contributions received	4,428,950	4,266,999
Less amounts transferred to deferred contributions - capital assets	(573,465)	--
Less amounts recognized as revenue	(4,188,788)	(3,874,433)
	$ 1,268,325	$ 1,601,628

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

6. Deferred contributions (continued):

(ii) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 4,989,041	$ 4,615,321
Additional contributions received	980,450	874,599
Add amount transferred from deferred contributions - expenses of future periods	573,465	–
Less amounts amortized to revenue	(496,270)	(500,879)
	$ 6,046,686	$ 4,989,041

			2008	2007
	Grants	Accumulated amortization	Net book value	Net book value
Land improvements	$ 278,095	$ 26,115	$ 251,980	$ 268,993
Buildings	5,006,353	1,278,581	3,727,782	2,786,381
Buildings service equipment	1,575,770	545,027	1,030,743	938,711
Furniture and equipment	2,982,345	1,946,164	1,036,181	994,956
	$ 9,842,573	$ 3,795,887	$ 6,046,686	$ 4,989,041

7. Related party transactions:

The Organization made payments on loans held by the St. Amant Foundation Inc., a corporation with the same Member as the Organization, of $17,284 (2007 - $24,325), of which $7,500 (2007 - $22,867) was principal. The Organization pays rent on eight community residences to St. Amant Foundation Inc. for $80,903 (2007 - $80,903). The Organization charged St. Amant Foundation Inc. $20,000 (2007 - $18,000) for costs related to the parking lot.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

7. Related party transactions (continued):

St. Amant Foundation Inc. has provided funds towards the Organization's operations in the following amounts:

	2008	2007
Community residences program:		
Vehicles	$ 15,000	$ 15,000
Other	2,513	9,355
	17,513	24,355
Client services programs:		
Resident care program	2,500	55,489
Summer recreation program	–	9,110
Recreation program	–	25,000
School program	–	25,328
Aboriginal Culture and Initiative Outreach	42,323	38,003
Community support	834	1,600
Daycare	6,444	–
	52,101	154,530
Education and training:		
St. Amant Inc. conference	18,590	15,000
Research program	70,000	55,000
Capital projects:		
Grounds enhancement	20,235	43,741
Development services renovations	107,151	45,819
Deck 1 (west)	3,000	–
Software	11,000	–
Common area renovations	172,893	–
Community residential program	28,860	–
River Road Place	61,115	–
School and developmental services	15,049	–
	419,303	89,560
	$ 577,507	$ 338,445

Of these contributions, $419,303 (2007 - $89,560) have been recorded in deferred contributions related to capital assets.

The receivable from St. Amant Foundation Inc. of $801,789 (2007 – $446,802) is non-interest bearing, has no specified terms of repayment and is unsecured.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

7. **Related party transactions (continued):**

The Organization purchased occupational health services from St. Boniface General Hospital, a corporation with the same Member of the Corporation, of nil (2007 - $30,043).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. **Inter-program recoveries:**

The Organization records inter-program recoveries of $1,545,612 (2007 - $1,033,665) to offset the costs associated with the management and administration of the various programs. These amounts are recorded as other expenses in the related programs.

9. **Employee benefits recoverable and payable:**

(i) The Organization maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2008, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,932,109 (2007 - $2,104,142) for which the Organization has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the Winnipeg Regional Health Authority (WRHA) for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental change in the related liability for fiscal 2007 and 2008, which include an interest component. The decrease recorded in fiscal 2008 was $172,033 (2007 - $126,891 increase in future employee pre-retirement benefits recoverable) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $162,531. This amount also includes an interest component, and is included as a current accounts receivable. This amount was received subsequent to March 31, 2008.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

9. Employee benefits recoverable and payable (continued):

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2008 aggregates $1,653,621 (2007 - $1,825,654) and has no specified terms of repayment.

Additional information about the Organization's employee pre-retirement benefit plan is as follows:

	2008	2007
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 237,849	$ 97,737
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	(172,033)	132,389

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Organization. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by WRHA for 2008 was 64.25 percent (2007 - 73.5 percent) of actual pre-retirement benefits paid. The shortfall for 2008 of $85,031 (2007 - $25,900) was paid from funding received for operations.

(ii) Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Organization is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Organization contributed $1,745,544 (2007 - $1,523,894) on behalf of its employees, the most recent actuarial valuation of the plan as at December 31, 2006 indicated that the plan was fully funded. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates increased to 6.8 percent and 8.4 percent, respectively.

(iii) The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2008 is $2,136,892 (2007 - $2,111,439). The funding received in each subsequent fiscal year from the WRHA includes the vacation payable recoverable from the WRHA of $1,461,198 as included on the statement of financial position. The vacation pay recoverable from the WRHA is maintained at the employee vacation payable at March 31, 2004.

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2008

10. Future accounting changes:

The CICA has issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards became effective for the Organization on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - Financial Instruments - *Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Organization is currently assessing the impact that these new standards will have on their financial statements for the year ended March 31, 2009.

11. Fair value:

The fair value of the following items is not determinable due to the underlying terms and conditions: due from St. Amant Foundation Inc., advances, loans payable to CMHC and Province of Manitoba promissory note.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of loans payable to National Bank of Canada is approximately $4,963,000 (2007 - $3,485,000) as compared to their carrying value of $4,932,227 (2007 - $3,471,906). Fair value has been determined using future payments of principal and interest discounted at current rates.

The fair value of the remaining financial assets and liabilities approximates their carrying values due to their short term nature.

12. Commitment:

The Organization is committed to construction contracts for the 2009 fiscal year of approximately $701,000.

Deloitte

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Board of Directors of
St. Joseph's Residence Inc.

We have audited the statement of financial position of St. Joseph's Residence Inc. as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Residence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Residence as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 27, 2008

Member of
Deloitte Touche Tohmatsu

ST. JOSEPH'S RESIDENCE INC.

Statement of Operations

Year ended March 31, 2008

	2008	2007
REVENUE		
WRHA	$ 4,144,032	$ 3,793,156
Residential charges	1,495,844	1,407,226
Canada Mortgage and Housing Corporation (Note 7)	35,946	35,946
	5,675,822	5,236,328
Amortization of deferred contributions - capital assets	90,750	84,902
Recoveries - general	61,153	78,218
Cafeteria	14,037	17,371
Interest	50,052	55,507
Donations	8,628	18,013
	224,620	254,011
	5,900,442	5,490,339
EXPENSES		
Salaries and wages	3,957,518	3,687,587
Unfunded portion of pre-retirement leave	68,762	-
Plant operations and maintenance	392,232	300,739
Employee benefits	638,252	554,165
Dietary	199,079	194,094
General services	177,269	184,905
Special services	62,636	83,024
Depreciation	106,314	98,324
Interest on long term debt	58,417	53,063
Housekeeping, laundry and linen	100,103	95,188
Medical supplies	92,398	80,543
Health and education tax	81,263	75,273
	5,934,243	5,406,905
(DEFICIT) SURPLUS FOR THE YEAR	$ (33,801)	$ 83,434

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and certificates of deposit	$ 1,142,552	$ 1,291,409
Cash held in trust	14,552	10,658
Accounts receivable	672,012	281,642
Inventory	25,266	23,966
Prepaid expenses	12,296	11,626
Due from WRHA - vacation pay	248,912	248,912
	2,115,590	1,868,213
CAPITAL ASSETS (Note 4)	2,351,684	2,112,550
DUE FROM WRHA - PRE-RETIREMENT LEAVE	383,010	435,489
	$ 4,850,284	$ 4,416,252
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,081,651	$ 816,492
Accrued vacation pay	295,109	288,194
Funds held in trust	20,755	10,658
Current portion of long-term debt (Note 6)	168,168	128,697
	1,565,683	1,244,041
LONG-TERM DEBT (Note 6)		
Mortgage	718,367	818,591
Term Loan	474,258	394,159
ACCRUED PRE-RETIREMENT LEAVE (Note 5)	451,772	435,489
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 10)	86,240	67,048
CAPITAL ASSETS (Note 11)	728,977	611,034
MAJOR REPAIRS (Note 12)	46,188	34,188
	4,071,485	3,604,550
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 13)	419,250	299,905
UNRESTRICTED FUND	359,549	511,797
	778,799	811,702
	$ 4,850,284	$ 4,416,252

APPROVED BY THE BOARD

..... Director

..... Director

ST. JOSEPH'S RESIDENCE INC.
Statement of Changes in Net Assets
Year ended March 31, 2008

	2008			2007
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year as previoulsy stated	$ 301,376	$ 509,936	$ 811,312	$ 728,268
Change in Accounting Policies (Note 2)	-	1,288	1,288	-
Balance, beginning of year, restated	301,376	511,224	812,600	728,268
(Deficit) surplus for the year	(18,312)	(15,489)	(33,801)	83,434
Investment in capital assets (Note 13)	136,186	(136,186)	-	-
Balance, end of year	$ 419,250	$ 359,549	$ 778,799	$ 811,702

ST. JOSEPH'S RESIDENCE INC.

Statement of Cash Flows

Year ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
(Deficit) surplus for the year	$ (33,801)	$ 83,434
Items not affecting cash		
Depreciation	106,314	98,324
Amortization of deferred contributions - expenses of future periods	(61,003)	(27,853)
Amortization of deferred contributions - capital assets	(90,750)	(84,902)
Unrealized loss on investments	3,647	-
	(75,593)	69,003
Changes in non-cash working capital balances		
Accounts receivable	(390,370)	(223,832)
Inventory	(1,300)	(922)
Prepaid expenses	(670)	(1,807)
Due from WRHA - pre-retirement leave	52,479	(50,012)
Accounts payable and accrued liabilities	265,159	269,654
Accrued vacation pay	6,915	31,739
Accrued pre-retirement leave	16,283	50,012
	(127,097)	143,835
FINANCING ACTIVITIES		
Funds held in trust	10,097	(1,210)
Long-term debt repayments	(96,093)	(92,284)
Proceeds of term loan	168,513	184,882
Term loan repayments	(53,075)	(32,460)
Additional deferred contributions received		
- expenses of future periods	80,195	60,116
- capital assets	205,945	179,794
- major repairs	12,000	12,000
	327,582	310,838
INVESTING ACTIVITIES		
Cash held in trust	(3,894)	1,210
Capital asset purchases	(345,448)	(249,134)
Proceeds on disposal of capital assets	-	880
	(349,342)	(247,044)
NET INCREASE IN CASH AND CERTIFICATES OF DEPOSIT	(148,857)	207,629
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR	1,291,409	1,083,780
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$ 1,142,552	$ 1,291,409
INTEREST PAID	$ 58,757	$ 53,390

1. NATURE OF ORGANIZATION

St. Joseph's Residence Inc. is a not-for-profit corporation, which operates a personal care home. Effective February 13, 2003, the sponsorship of the Residence was transferred from the Sisters of the Order of St. Benedict to the Catholic Health Corporation of Manitoba (CHCM). The Residence is a registered charity under the Income Tax Act and accordingly is exempt from taxes.

2. CHANGES IN ACCOUNTING POLICIES

The Residence has adopted the following recommendations of the CICA Handbook:

a) Effective April 1, 2007, the Residence adopted the revised CICA Section 1506 Accounting Changes, which requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information; (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change; and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Residence has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) Section 3855, Financial Instruments – Recognition and Measurement. This standard describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) Section 3861, Financial Instruments – Disclosure and Presentation. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) Section 3251, Equity. This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

The Residence has made the following classifications:

- Cash and certificates of deposit are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest rate method.
- Future retirement entitlements recoverable and accrued vacation entitlements recoverable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method
- Accounts payable and accrued charges and accrued vacation entitlements are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

2. CHANGES IN ACCOUNTING POLICIES (continued)

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. Accordingly, the Residence's net assets at April 1, 2007 were affected by the application of these new standards in the amount of $1,288. As at that date, net assets were increased by that amount together with an offsetting increase to various investments to adjust these assets to their market value.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue *recognition*

The Residence follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Residence is funded primarily by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Building	50 years
Parking lot	20 years
Furniture and equipment	5, 10 years
Building service equipment	20 Years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Vacation pay

The Residence records the accrued vacation pay entitlement liability. The related revenue and expense is recorded in the statement of operations for the current year.

d) Retirement entitlement obligation

The Residence has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Residence has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. The related revenue and expense is recorded in the statement of operations for the current year.

e) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Residence's designation of such instruments.

Classification

Cash	Held for trading
Investments	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA/Manitoba Health	Loans and receivables
Accounts payable and accrued charges	Other liabilities
Accrued vacation entitlements	Other liabilities

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments.

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held-to-maturity
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method
The Residence uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

f) Provision for operating surplus settlement with WRHA

The Residence records the full amount of its operating surplus as calculated in accordance with the WRHA guidelines as a provision for settlement with WRHA. The actual amount of the settlement is determined after a review of the details by Manitoba Health and negotiation with the Residence. Any difference is recorded subsequently in the statement of operations in the year of settlement.

g) Contributed services

Contributed services are recorded at their estimated fair value if the amount can be reasonably estimated.

h) Inventory

Inventories of supplies are valued substantially at average cost.

i) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Residence. The majority of the current year's accounts receivable balance consists of related party amounts and the remainder are resident receivables, which is consistent with the prior year, and are regarded as low credit risk balances.

j) Fair value

The carrying value of the corporation's financial assets and liabilities reflect their fair values, unless otherwise disclosed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *Future accounting changes*

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Residence will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Residence is currently assessing the impact of these new standards on its financial statements.

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 193,965	$ -	$ 193,965	$ -
Parking lot	86,781	19,831	65,604	16,551
Building	2,888,704	1,365,221	2,716,098	1,314,657
Building service equipment	314,772	47,216	314,772	31,477
Furniture and equipment	1,311,793	1,101,427	1,249,492	1,064,696
	4,796,015	2,533,695	4,539,931	2,427,381
Net Book Value	$ 2,262,320		$ 2,112,550	

5. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3(d)). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 5.50% (2007– 4.85) and a rate of salary increase of 3.5% plus age related merit/promotion scale with nil for disability. Actual payments made during the year for the Residence's pre-retirement leave were $38,710 (2007 -$10,446).

6. LONG-TERM DEBT

	2008	2007
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	$ 818,735	$ 914,828
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,705, interest rate of prime minus 0.75% per annum, due October 31, 2014	209,277	241,737
Term loan, payable to Toronto Dominion Bank, repayable In monthly principal payments of $2,945, interest rate of prime minus 0.75% per annum, due August 31, 2018	332,781	184,882
Total long-term debt	1,360,793	1,341,447
Current portion	(168,168)	(128,697)
	$ 192,625	$ 1,212,750

The mortgage with the Canada Mortgage and Housing Corporation is secured by a security agreement covering all land, buildings, furniture and equipment and assignment of all residential charges. The term loans are secured by a Letter of Comfort from Manitoba Health.

The principal repayments in each of the next five years are as follows:

Mortgage:	2008	$ 100,368
	2009	104,578
	2010	108,969
	2011	113,536
	2012	118,297
Term loan:	2008	$ 67,800
	2019	67,800
	2010	67,800
	2011	67,800
	2012	67,800

7. CANADA MORTGAGE AND HOUSING PAYMENTS

The Residence has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 1.5% to enable the project to provide housing to low income individuals. The amount of assistance received in 2008 was $35,946 (2007 - $35,946).

8. RELATED ENTITIES

a) The residence is dependent on the Winnipeg Regional Health Authority for the majority of the funding of its operations.

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2007 - $4,680) to the Friends of St. Joseph's Residence Inc., a related party, for accounting and administration services.

Friends of St. Joseph's Residence Inc. made donations to St. Joseph's Residence Inc. totalling $8,428 (2007 - $27,854).

At March 31, 2008, Friends of St. Joseph's Residence Inc. owed to St. Joseph's Residence Inc. $59,972 (2007 - $84,826).

9. INTEREST RATE AND CREDIT RISK

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Residence's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Residence's assets. The value of the Residence's assets is affected by short-term changes in nominal interest rate and equity markets.

The term to maturity of the fixed income investments of the Residence are all before the end of the 2012 calendar year with coupon rates ranging between 3.20% and 5.10%. The fair market value of these fixed income securities as at March 31, 2008 is $756,839.

b) Credit Risk

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Residence has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment policies.

10. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

Deferred contributions related to expense of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations and matched with

	2008	2007
Balance, beginning of year	$ 67,048	$ 34,785
Additional contributions	80,195	60,116
Distribution for expenses	(61,003)	(27,853)
Balance, end of year	$ 86,240	$ 67,048

11. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2008				2007
	Purchased Capital Assets	Future Capital Assets	Contributed Surplus	Total	Total
Balance beginning of year, as restated	$ 191,620	$ 139,836	$ 279,578	$ 611,034	$ 516,142
Additional contributions received:	39,276	17,500		56,776	55,050
Debt repayment	149,169			149,169	124,744
Amortization	(78,683)		(9,319)	(88,002)	(84,902)
Balance, end of year	$ 301,382	$ 157,336	$ 270,259	$ 728,977	$ 611,034

12. DEFERRED CONTRIBUTIONS – MAJOR REPAIRS

Deferred contributions related to major repairs represent the unamortized amount and unspent funding received for major repairs. Amounts are recorded as revenue when applicable expenses are incurred. Changes in the deferred contributions balance are as follows:

	2008	2007
Balance, beginning of year	$ 34,188	$ 22,188
Additional contributions	12,000	12,000
Balance, end of year	$ 46,188	$ 34,188

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 2,262,320	$ 2,112,550
Amounts financed by		
Deferred contributions	(571,641)	(471,198)
Mortgage payables	(818,735)	(914,828)
Term loans	(542,058)	(426,619)
	$ 329,886	$ 299,905

Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Depreciation of capital assets included in operations	$ (106,314)	$ (98,324)
Amortization of deferred contributions related to capital assets include operations	88,002	84,902
	$ (18,312)	$ (13,442)

Net change in invested in capital assets is as follows:

	2008	2007
Purchase of capital assets	$ 256,084	$ 249,134
Proceeds on disposal of capital assets	-	(880)
Increase in deferred contributions	(189,917)	(162,274)
Increase in term loans	(168,513)	(184,882)
Repayment of term loan	53,075	32,460
Loan repayments	96,093	92,284
	$ 46,822	$ 25,842

14. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan – Manitoba. The Residence's liability under the pension plan is limited to the contributions required during the year under the respective agreements.

Employer contributions made to the plan during the year by the Residence amounted to $229,302 (2007 - $202,607).

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the statement of financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2008, and the statement of operations and statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from the general public in the form of donations, memberships, sales of promotional materials, honoraria and fundraising projects, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenditures, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 26, 2008

Chartered Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Statement of Operations

Year Ended March 31

	2008	2007
Revenues (Page 9)	**$ 1,592,193**	$ 1,485,258
Less: revenues deferred to subsequent fiscal period (Note 5)	**(180,380)**	(184,572)
Net revenues	**1,411,813**	1,300,686
Expenditures (Page 10)	**1,361,843**	1,284,076
Excess of revenues over expenditures from operations	**49,970**	16,610
Pre-retirement leave (expense) - current (Note 9)	**(4,915)**	(9,945)
Pre-retirement leave recovery - current (Note 9)	**4,915**	9,945
Pre-retirement leave(expense) recovery - current (Note 9)	**(3,512)**	30,279
Excess of revenues over expenditures	**$ 46,458**	$ 46,889

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Relocation Reserve	Operating Fund	2008	2007
Balance, beginning of year	$ 15,093	$ 33,415	**$ 48,508**	$ 1,619
Excess of revenues over expenditures	-	46,458	**46,458**	46,889
Interfund transfer	15,000	(15,000)	**-**	-
Balance, end of year	$ 30,093	$ 64,873	**$ 94,966**	$ 48,508

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2008	2007
Assets		
Operating Fund		
Cash and short term deposits	$ 227,656	$ 85,207
Receivables	194,932	265,352
Prepaids	17,890	16,756
	440,478	367,315
Property and equipment (Note 3)	28,027	35,034
	468,505	402,349
Relocation Reserve		
Cash	30,093	15,093
	$ 498,598	$ 417,442
Liabilities		
Operating Fund		
Payables and accruals (Note 4)	$ 137,499	$ 98,516
Deferred revenue (Note 5)	180,380	184,572
	317,879	283,088
Pre-retirement leave (Note 9)	65,717	60,802
Deferred contributions related to property and equipment (Note 6)	20,036	25,044
Fund balance	64,873	33,415
	468,505	402,349
Relocation Reserve		
Fund balance	30,093	15,093
	$ 498,598	$ 417,442

Commitments (Note 8)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing it's financial statements. The significant accounting policies used are as follows:

Revenue recognition

Sexuality Education Resource Centre Manitoba, Inc. follows the deferral method of accounting for revenue.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

Revenue and expenses related to program delivery and administration activities are reported in the Operating Fund.

The Relocation Reserve is available to fund future purchases for the anticipated relocation.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on the declining balance basis at annual rates estimated to write off the assets over their estimated useful lives as follows:

Furniture and equipment	20%
Computers	20%

booke & partners
CHARTERED ACCOUNTANTS

2. Summary of significant accounting policies - continued

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Unless otherwise stated in these financial statements, the fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Equipment

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Winnipeg				
Computers	$ 61,475	$ 42,379	**$ 19,096**	$ 23,870
Furniture and equipment	22,607	15,577	**7,030**	8,788
Brandon				
Computers	10,880	9,004	**1,876**	2,345
Furniture and equipment	663	638	**25**	31
	$ 95,625	$ 67,598	**$ 28,027**	$ 35,034

4. Payables and accruals

	2008	2007
Vacation pay and salary accrual	**$ 48,930**	$ 36,093
Trade	**88,569**	62,423
	$ 137,499	$ 98,516

booke & partners
CHARTERED ACCOUNTANTS

5. Deferred revenue

Deferred revenue reported in the Operating Fund relates to restricted operating funding received in the current year that is related to the subsequent year.

	2008	2007
Winnipeg Regional Health Authority	$ 40,000	$ 40,000
Province of Manitoba		
Manitoba Health - HIV Training	82,127	98,901
Manitoba Health - Addressing the Future	3,099	3,247
Manitoba Health - STI	10,000	10,000
Manitoba Harm Reduction Network	3,340	3,340
Government of Canada		
Justice - Strengthening Families	2,187	-
Birth Control Kits	3,545	3,545
Health Canada	6,288	6,845
Cancercare	6,358	6,358
Klinic	1,610	1,610
Nine Circles	10,000	-
Winnipeg Foundation	7,726	7,726
Foundation for Sexual Health	1,100	-
Planned Parenthood Federation of Canada	3,000	3,000
	$ 180,380	$ 184,572

6. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent grants and contributions for computers. Deferred contributions are amortized on the statement of operations. Amortization was provided in the current year for $5,009 (2007 - $6,944).

7. Economic dependence

The association is economically dependent upon receiving grants from various funding bodies.

8. Lease commitments

The organization leases office space located at 555 Broadway. The organization has a five year lease which expires August 31, 2009 and which obligates the organization to make annual rental payments totaling $47,515 in the remaining two years.

The organization has a five year lease for the Brandon office which expires December 1, 2009 and which obligates the organization to make annual rental payments totaling $14,400.

booke & partners
CHARTERED ACCOUNTANTS

9. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year.

Change in obligation	**2008**	2007
Opening balance	**$ 60,802**	$ 50,857
Increase in obligation	**4,915**	9,945
	$ 65,717	$ 60,802
Pre-retirement leave		
Current year expense (recovery)	**$ 3,512**	$ (30,279)
Current year recovery	**(4,915)**	(9,945)
Increase in obligation	**4,915**	9,945
	$ 3,512	$ (30,279)

10. Statement of cash flows

The statement of cash flows has not been presented as management does not believe that it provides additional meaningful information.

booke & partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Revenues

Year Ended March 31	2008	2007
Province of Manitoba		
Winnipeg Regional Health Authority	$ 872,899	$ 805,323
Manitoba Health - Addressing the Future	7,372	140,421
Manitoba Health - HIV Training	82,127	98,901
Manitoba Labour and Immigration	56,967	20,617
Manitoba Harm Reduction Network	63,340	53,340
Manitoba Health - STI	10,000	10,000
Manitoba Health - HIV Curriculum	16,774	4,599
Think Again	-	3,000
Government of Canada		
Multiculturalism	18,725	27,225
Justice	104,801	32,091
Health Canada	160,804	103,802
United Way		
Winnipeg	109,650	109,654
Brandon	14,375	15,000
Designated funds	326	1,726
Winnipeg Foundation	7,726	7,726
Canadian Federation for Sexual Health	3,000	3,000
North End Community Renewal Corporation	125	2,625
Capital grants (Note 6)	5,009	6,944
Membership	430	620
Donations	1,963	2,556
Sales of Promotional Material	1,831	2,301
Foundation for Sexual Health	1,101	-
Interest	4,482	2,912
Honoraria and other	38,366	30,365
Nine Circles	10,000	-
Conference	-	510
	$ 1,592,193	$ 1,485,258

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Schedule of Expenditures

Year Ended March 31

	2008	2007
Amortization	$ 7,007	$ 6,944
Annual general meeting	1,579	1,682
Annual general meeting - MHRN	10,000	9,729
Bank charges and interest	252	297
Board	463	247
Child care	9,890	2,233
Computer services and maintenance	13,052	14,408
Contract fee	223,368	140,601
Copying	11,929	5,379
Electronic program delivery	2,669	15,502
Employee benefits	86,214	90,367
Evaluation	20,482	5,930
Membership dues	570	2,929
Office supplies and services	29,316	26,654
Postage	1,089	7,226
Printing - resource materials	17,742	125,561
Professional fees	6,302	4,883
Program costs	29,021	14,056
Project administration	400	1,750
Promotion/publicity	20,769	6,750
Relocation	20,000	-
Rent	68,950	66,525
Repairs and maintenance	9,860	8,497
Resource centre	6,189	1,664
Salaries	649,806	634,259
Staff training	2,955	4,175
Staff travel	29,582	25,306
Taxes and insurance	2,128	96
Telephone	28,090	29,056
Utilities	11,521	9,230
Volunteer costs	40,648	22,140
	$ 1,361,843	$ 1,284,076

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone : (204) 956-7200
Telefax/Télécopieur : (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the statement of financial position of **THE CONVALESCENT HOME OF WINNIPEG** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home's operations as outlined in Note 1 of these financial statements, as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not include a review of the the 2008 budget figures and consequently, we do not express an opinion on these figures.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 25, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Accounts receivable (Note 3)	$ 50,641	$ 56,978
Prepaid expenses	7,229	6,888
Vacation entitlement receivable (Note 4)	171,526	171,526
	229,396	235,392
Investments (Market value 2007 - $442,468)	449,007	442,468
Retirement obligations receivable (Note 4)	276,262	266,755
Restricted cash and deposits (Note 5)	241,152	232,606
Capital assets (Notes 6)	962,668	953,756
	$ 2,158,485	$ 2,130,977
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	$ 103,128	$ 18,001
Accounts payable and accrued charges (Note 7)	326,886	294,767
Current portion of long-term debt (Note 9)	27,120	27,120
Accrued vacation pay	204,678	191,079
	661,812	530,967
Accrued retirement obligations	205,579	196,072
Residents' Trust Fund (Note 5)	13,515	19,614
Long-term debt (Note 9)	168,037	195,157
Deferred contributions (Note 10)	597,666	620,249
Net assets	511,876	568,918
	$ 2,158,485	$ 2,130,977

Approved on behalf of the Board:

Director / PRESIDENT

Director / TREASURER

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets	Adult Day Program	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	$ 509,705	$ 9,399	$ 49,814	$ 568,918	$ 504,819
Change in accounting policy (Note 2)	-	-	50,640	50,640	-
Balance, beginning of year restated	509,705	9,399	100,454	619,558	504,819
Excess (deficiency) of revenue over expenditures for the year	-	697	(108,379)	(107,682)	64,099
Capital assets purchased	78,431	-	(78,431)	-	-
Principal repayments not funded	27,129	-	(27,129)	-	-
Balance, end of year	$ 615,265	$ 10,096	$ (113,485)	$ 511,876	$ 568,918

Page 1808

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Operating

For the year ended March 31 — 2008 / 2007

	Budget	Operations	Capital	Actual	Actual
Revenue					
Winnipeg Regional Health Authority	$ 2,726,519	$ 2,970,339	$ -	$ 2,970,339	$ 2,779,769
Residential charges	1,444,036	1,493,945	-	1,493,945	1,407,792
Offset income	18,000	29,281	-	29,281	35,513
Investment income	19,700	2,187	-	2,187	19,195
Amortization of deferred contributions related to capital assets (Note 10)	55,869	-	69,519	69,519	78,683
Gain on sale of investments	-	-	-	-	20,014
	4,264,124	4,495,752	69,519	4,565,271	4,340,966
Expenditures					
Operating (Page 21)	4,170,123	4,586,472	-	4,586,472	4,184,261
Interest on long-term debt	16,000	17,659	-	17,659	15,052
Amortization of capital assets	78,001	-	69,519	69,519	79,926
	4,264,124	4,604,131	69,519	4,673,650	4,279,239
Excess (deficiency) of revenue over expenditures for the year before other items	-	(108,379)	-	(108,379)	61,727
Other Items					
Retirement obligation					
WRHA funding accrued	-	9,507	-	9,507	10,087
Increase in liability for the year	-	(9,507)	-	(9,507)	(10,087)
Excess (deficiency) of revenue over expenditures for the year	$ -	$ (108,379)	$ -	$ (108,379)	$ 61,727

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Adult Day Program

For the year ended March 31	2008		2007
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority	$ 36,624	$ 37,176	$ 38,061
Participants' fees	6,300	4,353	5,003
	42,924	41,529	43,064
Expenditures			
Accrued vacation	720	-	(1,714)
Administration fee	480	480	480
Employee benefits	2,112	2,269	3,665
Food	4,680	2,964	3,540
Manitoba Health and Education Tax	360	393	462
Other supplies	2,652	2,652	585
Salaries	18,720	19,636	21,706
Transportation	13,200	12,438	11,968
	42,924	40,832	40,692
Excess of revenue over expenditures for the year	$ -	$ 697	$ 2,372

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year		
Operating and capital	$ (108,379)	$ 61,727
Adult Day Program	697	2,372
Adjustments for		
Amortization of capital assets	69,519	79,926
Net increase (decrease) in deferred contributions	(22,583)	61,318
Change in resident trust funds	(6,099)	1,597
Changes in Fair Value of investments	9,192	-
	(57,653)	206,940
Changes in non-cash working capital	38,116	98,553
	(19,537)	305,493
Cash Flows from Financing Activities		
Long-term debt	(27,120)	(67,556)
Pre-retirement leave	9,507	10,087
	(17,613)	(57,469)
Cash Flows from Investing Activities		
Purchase of capital assets	(78,431)	(79,731)
Disposal of investments	39,000	7,478
	(39,431)	(72,253)
Net increase (decrease) in cash and cash equivalents	(76,581)	175,771
Cash and cash equivalents, beginning of year	214,605	38,834
Cash and cash equivalents, end of year	$ 138,024	$ 214,605
Represented by:		
Operations	$ (103,128)	$ (18,001)
Restricted	241,152	232,606
	$ 138,024	$ 214,605

THE CONVALESCENT HOME OF WINNIPEG
Summary of Significant Accounting Policies

March 31, 2008

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, The Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Winnipeg Regional Health Authority (WRHA) with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement dated April 30, 2002, which continues in effect until March 31, 2007 unless terminated sooner in accordance with the agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Major Repairs Fund and Equipment Replacement Fund

The Home has established Funds to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the Winnipeg Regional Health Authority.

THE CONVALESCENT HOME OF WINNIPEG
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to The Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2%
Computer equipment	33%
Computer software	33%
Furniture and equipment	20%

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The Home classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Home accounting policy for each category is as follows:

Held-for-trading

This category is comprised of investments, restricted cash and deposits and bank indebtedness. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable and loans receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision or impairment. Transaction costs related to loans and receivables are are expensed as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts receivable, accounts payable and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative date about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Home does not expect the adoption of these changes to have a material impact on its financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Summary of Significant Accounting Policies

March 31, 2008

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Entity Definition

The Home is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care.

These financial statements present the financial position and results of operations of the Personal Care Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - Benefit Fund.

2. Change in Accounting Policy

On January 1, 2007 the Home retroactively adopted, without restatement of net assets, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Under these new standards, all financial instruments are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards has resulted in an adjustment to opening unrestricted net assets in the amount of $50,640.

3. Accounts Receivable

	2008	2007
Winnipeg Regional Health Authority		
Pre-retirement leave	$ 39,744	$ 59,440
Companion services	-	39,599
Gastric feed	3,650	13,138
Loan funding variance	17,581	69,674
Other	4,335	4,676
MNU and MNU related salary increases	15,042	15,042
Capital asset funding (century tubs and lifts)	21,756	67,478
2007/2008 wage accruals	72,272	-
	174,380	269,047
Residential charges payable	(171,826)	(229,810)
Net receivable from WRHA	2,554	39,237
Receivable from residents	17,801	3,157
Accrued interest	1,500	1,500
G.S.T. receivable	16,056	8,589
Benefit Fund receivable	10,955	-
Parking Fund receivable	1,775	4,495
	$ 50,641	$ 56,978

4. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and had been recorded as a receivable on the statement of financial position in the amount of $256,668. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The resulting increase to receivables and revenues was $9,507 for the 2008 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

5. Restricted Cash and Deposits

	2008	2007
Reserve for insurance deductible	$ 6,254	$ 6,048
Equipment replacement	137,572	132,972
Major repair	76,457	73,972
Residents' Trust Fund	20,869	19,614
	$ 241,152	$ 232,606

6. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	1,584,527	796,842	1,584,527	765,152
Computer equipment	136,621	133,034	133,033	124,016
Computer software	55,313	55,313	55,313	52,869
Furniture - sun room	24,344	24,344	24,344	24,344
Furniture and equipment	794,332	639,205	719,488	612,837
	$ 2,611,406	$ 1,648,738	$ 2,532,974	$ 1,579,218
Cost less accumulated amortization		$ 962,668		$ 953,756

7. Accounts Payable and Accrued Charges

	2008	2007
Accounts payable - trade	$ 115,623	$ 119,151
Accrued property taxes	7,328	7,328
Accrued audit fees	9,240	9,600
Accrued salaries	194,695	158,688
	$ 326,886	$ 294,767

8. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the plan is in a surplus position. Contributions to the Plan made during the year by The Home on behalf of its employees amounted to $141,780 (2007 - $126,067) and are included in the statement of operations.

9. Long-term Debt

	2008	2007
Loan payable		
CIBC - construction, payable in monthly instalments of $2,260 plus interest at bank prime, secured by investments held by The Home	$ 195,157	$ 222,277
Current portion of long-term debt	27,120	27,120
	$ 168,037	$ 195,157

Principal repayments required over the next five years are as follows:

2009	$ 27,120
2010	27,120
2011	27,120
2012	27,120
2013	27,120

10. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2008	2007
Balance, beginning of year	$ 407,257	$ 365,487
Contributions received	41,648	134,811
Contributions spent on capital debt	(14,256)	(14,358)
Less amounts amortized to revenue	(69,519)	(78,683)
Balance, end of year	365,130	407,257
Reserve for insurance deductible		
Balance, beginning of year	6,048	5,040
Additions	1,004	1,008
Balance, end of year	7,052	6,048
Unspent basic equipment		
Balance, beginning of year	132,972	118,272
Additions	14,700	14,700
Balance, end of year	147,672	132,972
Unspent reserve for major repairs		
Balance, beginning of year	73,972	70,132
Additions	3,840	3,840
Balance, end of year	77,812	73,972
Total deferred contributions	$ 597,666	$ 620,249

11. Restricted Net Assets

All of the net assets for the equipment replacement and major repairs and renovations and insurance deductible reserve are subject to externally imposed restrictions.

12. Insurance

a) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2008, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2008.

The Home is a named insured under the WRHA policy with HIROC.

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Management of The Salvation Army Golden West Centennial Lodge

We have audited the statement of financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Lodge's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Lodge as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended March 31, 2007 were audited by another firm of chartered accountants, who expressed an opinion without reservation in their report dated June 8, 2007.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 16, 2008

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

HE SALVATION ARMY
OLDEN WEST CENTENNIAL LODGE
tatement of Financial Position
arch 31, 2008

	2008	2007 (Restated Note 3)
SSETS		
URRENT		
Cash (Note 4)	$ 218,841	$ 110,028
Accounts receivable	14,119	9,962
Prepaid expenses	1,444	4,969
Inventory	15,804	12,763
Employee benefits recoverable from Winnipeg Regional Health Authority (Note (9)	342,550	311,682
	592,758	449,404
Cash held for restricted purposes (Note 5)	123,029	212,051
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (Note 9)	264,804	234,727
Capital assets (Note 6)	3,535,881	3,614,771
Deferred grant receivable (Note 7)	50,338	52,891
Trust assets - Residents	17,097	13,244
	$ 4,583,907	$ 4,577,088
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	$ 441,898	$ 381,968
Accrued vacation payable	303,232	295,864
Advances from and amounts due to Winnipeg Regional Health Authority (Note 8)	268,180	264,090
Demand loans payable and current portion of long-term debt (Note 11)	1,022,215	1,341,694
	2,035,525	2,283,616
Accrued pre-retirement benefits (Note 9)	304,273	274,196
Deferred contributions (Note 10)	2,191,305	1,924,187
Long-term debt (note 11)	373,932	395,384
Trust liability - Residents	17,097	13,244
	4,922,132	4,890,627
NET DEFICIENCY		
Invested in capital assets (Note 12)	77,251	85,751
Internally restricted	92,120	79,803
Unrestricted	(507,596)	(479,093)
	(338,225)	(313,539)
Continuity of operations (Note 1)		
	4,583,907	$ 4,577,088

See accompanying notes to financial statements.

APPROVED BY THE BOARD

..... Director

..... Director

HE SALVATION ARMY
OLDEN WEST CENTENNIAL LODGE
tatement of Operations
ar Ended March 31, 2008

	2008	2007
EVENUE		
Winnipeg Regional Health Authority	$ 4,094,392	$ 3,989,126
Residential charges	2,035,919	1,885,767
mortization of deferred contributions (Note 10)	273,643	299,060
etary services	38,047	33,147
Other income	31,276	28,779
	6,473,277	6,235,879
PENSES		
dministration	91,013	98,922
mortization	282,143	285,371
Employee benefits	716,423	685,437
Medical supplies	111,909	100,029
Operating expenses	380,280	408,394
ayroll tax	89,703	93,743
Physical plant	374,940	381,537
Pre-retirement leave costs (Note 9)	22,908	47,491
Interest on long-term debt	91,980	101,314
Salaries	4,345,069	4,134,219
	6,506,368	6,336,457
ficiency of revenue over expenses on long term operations	(33,091)	(100,578)
ficiency of revenue over expenses on Adult Day Care program	(8,611)	(14,421)
ficiency of revenue over expenses on operations	(41,702)	(114,999)
ther revenue and expenses	17,016	1,917
ficiency of revenue over expenses for the year	$ (24,686)	$ (113,082)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Changes in Net Assets
Year Ended March 31, 2008

	2008				2007
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	85,751	79,803	(479,093)	(313,539)	(200,457)
Excess (deficiency) of revenue over expenses for the year (Note 12 (b))	(8,500)	-	(16,186)	(24,686)	(113,082)
Fund transfers (Note 13)	-	12,317	(12,317)	-	-
Balance, end of year	$ 77,251	$ 92,120	$ (507,596)	$ (338,225)	$ (313,539)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Cash Flows
Year Ended March 31, 2008

	2008	2007 (Restated Note 3)
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ (24,686)	$ (113,082)
Items not affecting cash		
Amortization of capital assets	282,143	285,371
Amortization of deferred contributions	(273,643)	(299,060)
	(16,186)	(126,771)
Changes in non-cash working capital balances		
Accounts receivable	(4,157)	88,305
Prepaid expenses	3,525	17,527
Inventory	(3,041)	(1,303)
Employee benefits recoverable	(30,868)	-
Future employee pre-retirement benefits recoverable	(30,077)	(22,531)
Accrued pre-retirement entitlements	30,077	22,531
Accrued vacation payable	7,368	11,939
Due to Winnipeg Regional Health Authority	4,090	-
Accounts payable and accrued liabilities	59,930	97,080
	20,661	86,777
FINANCING ACTIVITIES		
Grants received	2,553	2,386
Additional deferred contributions received	540,761	393,981
Repayments of long-term debt	(340,931)	(315,420)
	202,383	80,947
INVESTING ACTIVITIES		
Capital assets purchases	(203,253)	(38,709)
Decrease in cash held for restricted purposes	89,022	149,406
	(114,231)	110,697
NET INCREASE IN CASH	108,813	278,421
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	110,028	(168,393)
CASH, END OF YEAR	$ 218,841	$ 110,028

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Notes to the Financial Statements
Year ended March 31, 2008

The Salvation Army Golden West Centennial Lodge is owned and operated by The Governing Council of The Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes. It is governed by the Board of Management of Grace General Hospital and Golden West Centennial Lodge (See Note 14).

The Lodge is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes under Section 149.

1. CONTINUITY OF OPERATIONS

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Lodge will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the appropriateness of the use of the going concern assumption as at March 31, 2008. At March 31, 2008, the Lodge's current liabilities exceed its current assets by $1,442,767 (2007 - $1,834,212). The Lodge also has a net asset deficiency of $338,225 (2007 - $313,539) at March 31, 2008, mainly as a result of losses from operations in prior fiscal years.

The ability of the Lodge to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the Lodge continuing to operate at a break-even or surplus position in future years, and the continued support of the Winnipeg Regional Health Authority.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. ACCOUNTING POLICIES

The financial statements of the Lodge have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The Lodge follows the deferral method of accounting for contributions which include donations and government grants.

The Lodge is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Lodge's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Building expansion	30 years
Major equipment	10 years
Nursing station	10 years
Roof expansion	10 years
Office furniture and equipment	5 - 10 years
Computer hardware and software	3 years

c) *Vacation pay*

The Lodge records the accrued vacation pay entitlement liability in the statement of financial position. Any change in the liability is recorded in the statement of operations.

d) *Contributed services*

Contributed services are recorded at their estimated fair value.

e) *Pre-retirement benefit obligation*

The Lodge has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with any of the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age 65; or
iv) terminate employment at any time due to permanent disability.

The Lodge has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the Winnipeg Regional Health Authority (Note 9).

f) *Due from Winnipeg Regional Health Authority – employee future benefits*

The Lodge records a provision for future employee benefits including accrued vacation entitlements and accrued retirement entitlements. For certain employees, funding for future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statement of financial position as employee benefits recoverable from the WRHA.

g) *Internally restricted net assets*

Internally restricted net assets represent funds which have been received through donations and have been internally restricted by the Lodge's Board of Management. These funds can only be utilized with the prior approval of the Board of Management.

h) *Use of estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES (continued)

i) *Financial instruments*

Interest rate risk
Interest rate risk is the risk to the Lodge's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Lodge does not use derivative instruments to reduce this risk.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Lodge's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value
The fair value of the cash, cash held for restricted purposes, accounts receivable and accounts payable and accrued liabilities, approximate their carrying value due to their short-term maturity.

The fair value of deferred grant receivable and long-term debt approximates their carrying values as their interest rates are comparable to market rates.

j) *Future accounting change*

On December 31, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures*, and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards become effective for the Lodge on April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative date about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Lodge is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2009.

3. CHANGES IN ACCOUNTING POLICIES

a) *Financial Instruments*

The Lodge adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement, on April 1, 2007.

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

Upon adoption of this new standard, the Lodge designated cash and cash held for restricted purposes as held-for-trading; accounts receivable, employee benefits and future employee benefits recoverable from Winnipeg Regional Health Authority, deferred grant receivable and Trust assets - Residents as loans and receivables; and accounts payable and accrued liabilities, advances from and amounts due to Winnipeg Regional Health Authority, accrued vacation payable, and demand loans payable and long-term debt as other liabilities. The Lodge does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

There was no transitional adjustment at April 1, 2007 as a result of adoption of this standard. There was no impact on the Lodge's reported results for fiscal 2008. In accordance with the standard, prior periods are not restated.

b) *Presentation of long-term debt*

During fiscal 2008, the Lodge changed its accounting policy for the treatment of long-term debt that is secured by a letter of comfort issued by Manitoba Health. In previous periods, the Lodge had presented such debt as deferred contributions, and the loans are now presented separately on the statement of financial position, as long-term debt. Management has determined that the new policy is preferable because it better reflects the third party nature of this debt. Prior periods have been restated. The impact of the change on the statement of financial position was to:

- reduce deferred contributions by $1,396,147 as at March 31, 2008 and $1,737,078 as at March 31, 2007

- increase demand loans and current portion of long-term debt by $1,022,215 as at March 31, 2008 and $1,341,694 as at March 31, 2007

- increase long-term debt by $373,932 as at March 31, 2008 and $395,384 as at March 31, 2007.

The impact of the change on the statement of operations was to increase both revenue from the WRHA and interest expense by $91,980 for the year ended March 31, 2008, and by $101,314 for the year ended March 31, 2007.

This change in presentation had no impact on net assets or results of operations for any period presented.

4. CASH

	2008	2007
Cash	$ 150,658	$ 47,552
Funds on deposit with Salvation Army Headquarters	68,183	62,476
	$ 218,841	$ 110,028

5. CASH HELD FOR RESTRICTED PURPOSES

	2008	2007
CAPITAL		
Cash	$ -	$ 4,047
Funds on deposit with Salvation Army Headquarters	30,909	128,201
	30,909	132,248
OTHER		
Internally restricted net assets (Note 2(g))	92,120	79,803
	$ 123,029	$ 212,051

Funds on deposit with Salvation Army Headquarters represent funds which have been bequeathed to the Lodge. Such funds can only be utilized for capital purposes with the prior approval of the Territorial Finance Council and Property Board.

6. CAPITAL ASSETS

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 55,159	$ -	$ 55,159	$ 55,159
Buildings	998,208	757,895	240,313	260,278
Building expansion	5,744,613	2,968,114	2,776,499	2,967,636
Major equipment	888,535	798,615	89,920	69,210
Nursing station	92,276	92,276	-	-
Nurse call system	163,889	-	163,889	-
Roof expansion	274,499	134,134	140,365	162,370
Office furniture and equipment	452,508	386,812	65,696	91,300
Computer hardware and software	209,210	205,170	4,040	8,818
	$ 8,878,897	$ 5,343,016	$ 3,535,881	$ 3,614,771

Title to the Lodge's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Lodge.

7. DEFERRED GRANT RECEIVABLE

The Province of Manitoba has arranged for the Lodge to receive a grant of $86,350 to be amortized at 6 7/8% interest annually for 50 years (maturing 2020). The annual payment is $6,060 including principal and interest.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

a) Accounts payable and accrued liabilities consist of:

	2008	2007
Accounts payable	$ 86,100	$ 108,306
Accrued salaries and benefits	313,434	230,792
Accrued pre-retirement benefits	40,000	40,000
Accrued interest	2,364	2,870
	$ 441,898	$ 381,968

b) Advances from and amounts due to Winnipeg Regional Health Authority:

During the fiscal year, the Lodge received funding advances from the Winnipeg Regional Health Authority in the amount of $221,700 for funding commitments relating to the 2006/07 and 2007/08 fiscal years. These advances are included in amounts due to the WRHA and are unsecured and non-interest bearing.

9. EMPLOYEE BENEFITS

a) Pre-retirement benefits
The Lodge has undertaken an actuarial valuation as of March 31, 2008 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 5.50% (2007 – 4.85%) and a rate of salary increase of 3.5% (2007 – 3.0%) plus age related merit/promotion scale and a factor ranging from 0 – 1.31% (2007 – 0 – 1.30%) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $22,908 (2007 - $47,491).

The amount of funding which will be provided by the WRHA for future retirement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in the related liability for fiscal 2007 and 2008, which include an interest component. In addition, the WRHA approved partial funding of the incremental increases in the future employee benefits payable for fiscal 2005 and 2006 of $23,499, which also includes an interest component, and is included in employee benefits recoverable from WRHA on the statement of financial position.

The future employee benefits recoverable from WRHA of $264,804 at March 31, 2008 has no specified terms of repayment.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component described above is comparable to current market rates.

b) Vacation pay

Each year, the WRHA funds a portion of the vacation pay liability of the Lodge, which is limited to the amount established at March 31, 2004 of $271,682. This amount is included in employee benefits recoverable from WRHA on the statement of financial position.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets and major repairs represent the unamortized amount of donations and funding received for the purchase of capital assets and repairs. These contributions were received primarily from Manitoba Health, the Winnipeg Regional Health Authority and the Salvation Army.

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2008			2007
	Purchased Capital Assets	Future Capital Purchases and Major Repairs	Total	(restated – note 3(b)) Total
Balance, beginning of year	$ 1,791,939	$ 132,248	$ 1,924,187	$ 1,829,266
Additional contributions received				
Mortgage / loan payments (Note 11)	340,935	-	340,935	315,420
Capital assets and major repairs	-	199,425	199,425	78,561
Interest earned restricted funds	-	2,709	2,709	-
	$ 2,132,874	$ 334,382	$ 2,467,256	$ 2,223,247
Transfers as a result of capital asset purchases	203,252	(203,252)	-	-
Major repairs	-	(2,308)	(2,308)	-
Amortization	(273,643)	-	(273,643)	(299,060)
Balance, end of year	$ 2,062,483	$ 128,822	$ 2,191,305	$ 1,924,187

11. LONG-TERM DEBT

	2008	2007 (restated – note 3(b))
Bank demand instalment loan, interest at prime less 1/2%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing April, 2011	$ 914,900	$ 1,211,300
Canada Mortgage and Housing Corporation, Mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	395,384	415,435
Bank demand instalment loan, interest at prime less 1/2%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	85,863	110,343
	1,396,147	1,737,078
Current portion	1,022,215	1,341,694
	$ 373,932	$ 395,384

Principal and interest payments are funded by the Province of Manitoba via the WRHA.

Principal payments expected in the next five years are as follows:

2009	$342,333
2010	343,831
2011	345,438
2012	64,399
2013	28,113

During the year, interest expense relating to the debt funded amounted to $91,980 (2007 - $101,314).

12. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2008	2007
Capital assets	$ 3,535,881	$ 3,614,771
Amounts financed by:		
Deferred contributions - purchased capital assets	(2,062,483)	(1,791,942)
Long-term debt	(1,396,147)	(1,737,078)
Balance, end of year	$ 77,251	$ 85,751

b) Change in net assets invested in capital assets is calculated as follows:

	2008	2007
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	$ 273,643	$ 280,621
Amortization of capital assets	(282,143)	(285,371)
Deficiency of revenue over expenses	$ (8,500)	$ (4,750)
Net change in investment in capital assets		
Purchase of capital assets (net)	$ 203,252	$ 38,709
Amounts funded by increase in deferred contributions	(203,252)	(63,409)
Invested in capital assets	$ -	$ (24,700)

13. FUND TRANSFERS

The Board of Management approved the transfer of funds from internally restricted net assets to the unrestricted net deficiency to cover the cost of accumulated expenditures that related to the projects for which internal restrictions were established.

14. RELATED PARTIES

The Board of Management of the Lodge also governs The Salvation Army Grace General Hospital (the Hospital). Included in the Lodge's expenses is $2,453 (2007 - $1,346) for medical supplies purchased from the Hospital. The Lodge also received donations of $nil (2007 - $ 15,000) from the Hospital during the year. These transactions are recorded at fair value.

Effective April 1, 2008, the Winnipeg Regional Health Authority assumed management of The Salvation Army Grace General Hospital. The Lodge believes that the Hospital is not a related party thereafter.

15. PENSION PLAN

Substantially all of the employees of the Lodge are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $253,011 (2007 - $226,220) and are included in the statement of operations.

16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Other Revenue and Expenses
Year Ended March 31, 2008

Schedule 1

	2008	2007
REVENUE		
Red Shield Appeal designated for supervision	$ 25,000	$ 22,000
Internally restricted donations / fundraising (net)	17,176	5,934
	42,176	27,934
EXPENSES		
Contributed services (net)	$ 164	$ 1,017
Territorial Headquarters supervision	24,996	25,000
	25,160	26,017
Excess of revenue over expenses for the year	$ 17,016	$ 1,917

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Schedule of Operating, Physical Plant, and Administration Expenses
Year Ended March 31, 2008

Schedule 2

	2008	2007
ADMINISTRATION EXPENSES		
Membership fees	$ 1,161	$ 2,101
Postage	2,653	2,750
Office supplies	13,117	15,978
Professional fees	16,618	17,393
Service bureau fees	14,180	14,114
Sundry	28,863	29,139
Telephone	12,205	14,848
Travel and education	2,216	2,599
	$ 9[illegible],013	$ 98,922
OPERATING EXPENSES		
Food	$ 201,477	$ 207,145
Other supplies and expenses	77,419	82,592
Purchased services	101,384	118,657
	$ 380,280	$ 408,394
PHYSICAL PLANT EXPENSES		
Electricity	$ 67,080	$ 62,679
Natural Gas	106,532	106,134
Property taxes	76,858	76,516
Insurance	16,315	17,348
Repairs and maintenance	54,571	69,904
Water	53,584	48,956
	$ 374,940	$ 381,537

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Adult Day Care
Statement of Revenue and Expenses
Year Ended March 31, 2008

Schedule 3

	2008	2007
REVENUE		
Winnipeg Regional Health Authority	$ 157,611	$ 155,280
Participant fees	20,748	20,711
	178,359	175,991
EXPENSES		
Salaries	84,256	90,368
Employee benefits	14,954	14,518
Payroll tax	1,789	1,859
Food	11,809	9,007
Client travel	55,172	53,654
Supplies	18,990	21,006
	186,970	190,412
(Deficiency) of revenue over expenses	(8,611)	(14,421)

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of
THE SHARON HOME, INC.

We have audited the statement of financial position of **THE SHARON HOME, INC.** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for the year ended March 31, 2007 were audited by another firm of chartered accountants.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

THE SHARON HOME, INC.
Statement of Financial Position

March 31	2008	2007
Assets		
Current Assets		
Cash and investments	$ 1,301,735	$ 163,346
Accounts receivable (Note 4)	2,895,001	1,833,298
Due from Winnipeg Regional Health Authority (Note 5)	74,081	103,526
Prepaid expenses	107,555	72,244
Vacation entitlements receivable (Note 9)	603,753	603,753
	4,982,125	2,776,167
Loan receivable (Note 6)	70,989	70,989
Capital assets (Note 7)	16,301,290	16,747,124
Property under development (Note 8)	22,628,452	3,937,852
Pre-retirement entitlements receivable (Note 17)	1,160,567	1,131,803
	$ 45,143,423	$ 24,663,935
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 10)	$ 20,927,531	$ 4,170,103
Demand bank loans (Note 11)	186,353	286,393
Accounts payable (Note 12)	3,917,358	983,427
Accrued vacation entitlements (Note 9)	663,116	644,653
Current portion of mortgages payable (Note 13)	45,300	42,355
Current portion of note payable (Note 14)	719,750	718,750
	26,458,908	6,845,926
Mortgages payable (Note 13)	885,987	932,676
Note payable (Note 14)	5,750,000	6,468,750
Deferred contributions (Note 15)	10,216,832	8,326,776
Accrued pre-retirement obligations (Note 17)	1,048,968	1,020,204
Net Assets		
Invested in capital assets	278,411	566,022
Unrestricted	504,317	503,581
	$ 45,143,423	$ 24,663,935

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Changes in Net Assets

March 31, 2008			2008	2007
	Investment in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 566,022	$ 503,581	$ 1,069,603	$ 1,267,883
Excess (deficiency) of revenue over expenditures for the year	(318,219)	31,344	(286,875)	(198,280)
Net changes in investment in capital assets	30,608	(30,608)	-	-
Balance, end of year	$ 278,411	$ 504,317	$ 782,728	$ 1,069,603

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Operations - Personal Care Home

For the year ended March 31	2008	2007
Revenue		
Winnipeg Regional Health Authority	$ 9,438,923	$ 9,020,962
Capital funding Winnipeg Regional Health Authority	82,461	92,397
Capital funding Manitoba Health	421,218	464,135
Future pre-retirement benefit revenue	28,794	77,503
Residential charges	3,947,493	3,765,725
Contributions from the Sharon Home Fund Inc.	77,584	74,769
Other income	65,711	65,536
Adult Day Program (Page 22)	-	-
	14,062,184	13,561,027
Expenditures		
Administration	558,805	619,657
Information technology	37,653	-
Communications	140,639	132,310
Employee benefits	1,799,848	1,713,769
Housekeeping	635,146	603,364
Interest and carrying charges on land for future improvement	77,584	74,769
Interest		
Short-term debt	12,812	19,421
Long-term debt	490,867	537,112
Laundry and linen	354,145	391,834
Nutrition and food services	1,444,184	1,414,646
Occupational therapy	5,820	7,070
Plant maintenance	414,949	358,345
Plant operation	833,626	688,499
Resident care	6,630,336	6,210,086
Security	63,431	63,607
Social work	78,745	72,202
Spiritual care	67,393	69,528
Staff development	57,607	57,437
Therapeutic recreation	297,283	290,346
Volunteer services	29,967	26,760
	14,030,840	13,350,762
Excess of revenue over expenditures before amortization	31,344	210,265
Amortization		
Deferred contributions	631,027	590,307
Capital assets	(949,246)	(992,455)
Deficiency of revenue over expenditures before other item	(286,875)	(191,883)
Other Item		
Miscellaneous adjustment	-	(6,397)
Deficiency of revenue over expenditures for the year	$ (286,875)	$ (198,280)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (286,875)	$ (198,280)
Amortization of capital assets	949,246	992,455
Amortization of deferred contributions related to capital assets	(631,027)	(590,307)
	31,344	203,868
Changes in non-cash working capital		
Accounts receivable	(1,061,703)	(1,712,355)
Due from Winnipeg Regional Health Authority	29,445	129,627
Prepaid expenses	(35,311)	27,046
Accounts payable and accrued liabilities	2,933,931	521,908
Accrued vacation pay	18,258	8,429
Pre-retirement benefits recoverable	(28,764)	(77,503)
Accrued pre-retirement benefits	28,764	77,503
	1,915,964	(821,477)
Cash Flows from Financing Activities		
Increase in bank indebtedness	16,757,428	3,170,103
Repayments of mortgages payables	(43,784)	(40,712)
Repayment of demand bank loans	(99,540)	(204,926)
Repayment of note payable	(718,750)	(718,750)
	15,895,354	2,205,715
Cash Flows from Investing Activities		
Purchase of capital assets	(503,412)	(21,050)
Additions to property under development	(18,690,600)	(3,937,852)
Deferred contributions received related to capital assets	2,521,083	2,552,866
	(16,672,929)	(1,406,036)
Net increase (decrease) in cash and cash equivalents during the year	1,138,389	(21,798)
Cash and cash equivalents, beginning of year	163,346	185,144
Cash and cash equivalents, end of year	$ 1,301,735	$ 163,346
Supplementary Information		
Interest paid	$ 556,333	$ 609,599

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Summary of Significant Accounting Policies

March 31, 2008

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The Sharon Home, Inc. (the "Home") follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2008.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Home. After the WRHA reviews the financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Interest on the bank indebtedness (interim construction loan) to finance the construction project is capitalized to property under development.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	10 to 50 years
Equipment	3 to 10 years
Renovations	5 to 15 years

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Home's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments, bank indebtedness and demand bank loans . They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amount due from the WRHA, vacation entitlements receivable and retirement obligation receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable, accrued vacation entitlements, pre-retirement obligations, mortgages and note payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial instruments - disclosures and presentation
CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Home is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

March 31, 2008

1. Entity Definition

The Sharon Home, Inc. was incorporated under the laws of Canada on march 23, 1914. The mission of the Home is to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism. The Home is a registered charity under the Canada Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

2. Changes in Accounting Policies

On April 01, 2007, the Home retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation",and Section 3855, "Financial Instruments - Recognition and Measurement". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Home's statement of operations.

3. Economic Dependence

The Home is economically dependent on funding from WHRA. If this funding were discontinued, it would affect the Home's ability to continue operations.

4. Accounts Receivable

	2008	2007
Receivable from residents	$ 26,886	$ 27,887
GST rebate receivable	133,604	42,595
The Sharon Home Fund Inc. (related party)	2,715,881	1,711,715
Other	18,630	51,101
	$ 2,895,001	$ 1,833,298

5. Due from (to) WHRA

	2008	2007
2003/2004 funding adjustment	$ 6,479	$ 6,479
2004/2005 funding adjustment	(164,054)	(164,054)
2005/2006 funding adjustment	151,593	151,593
2006/2007 funding adjustment	(48,838)	109,508
2007/2008 funding adjustment	128,901	-
	$ 74,081	$ 103,526

The Home is subject to periodic review by WHRA. Operating surpluses or deficiencies may be repayable to recoverable as determined by WHRA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews. The reviews of the 2003/2004, 2004/2005, 2005/2006 and 2006/2007 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

6. Loan Receivable

The loan is non-interest bearing with no fixed terms of repayment and is collateralized by life insurance policies on a former employee.

7. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Kanee Centre				
Land	$ 558,008	$ -	$ 558,008	$ -
Buildings	12,301,262	8,016,922	12,301,262	7,510,086
Equipment	2,610,007	2,449,996	2,607,211	2,378,102
Simkin Centre				
Land	786,418	-	786,418	-
Building	10,335,648	1,835,952	10,217,773	1,580,356
Equipment	1,510,307	812,648	1,127,566	697,728
Land held for future development	1,315,158	-	1,315,158	-
	$ 29,416,808	$ 13,115,518	$ 28,913,396	$ 12,166,272
Cost less accumulated amortization		$ 16,301,290		$ 16,747,124

8. Property Under Development

On May 11, 2006, the Home entered into an agreement with WHRA to construct Phase II of the Simkin Centre to be completed in fiscal year 2009. The completed cost of this project is estimated to be $31,000,000. Upon completion of the construction project, the operations of the Kanee Centre will be transferred to the Simkin Centre and the property and related mortgages will be transferred to WHRA. The net effect of this transition cannot be determined at this time. At March 31, 2008, the book value of the Kanee Centre, net of mortgages and related deferred contributions is $431,390. Any loss, when the building is taken out of service, will be recorded at that time.

Included in property under development was interest capitalized of $549,512 as at March 31, 2008.

9. Vacation Entitlements Receivable

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2008	2007
Balance, beginning of year	$ 603,753	$ 603,753
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 603,753	$ 603,753

An analysis of the changes accrued vacation entitlements is as follows:

Balance, beginning of year	$ 644,858	$ 636,429
Net increase in accrued vacation entitlements	18,258	8,429
Balance, end of year	$ 663,116	$ 644,858

10. Bank Indebtedness

	2008	2007
Credit facility agreement	$ 1,000,000	$ 1,000,000
Interim construction costs agreement	19,927,531	3,170,103
	$ 20,927,531	$ 4,170,103

The credit facility agreement with Royal Bank up to a maximum of $1,000,000, bears interest at the bank prime rate or the Flex Financing (Bankers Acceptance) rate. The credit facility is collateralized by a hypothecation of title covering the 11.27 acres of land held for future development. The interest on this loan is being funded by The Sharon Home Fund Inc.

The interim construction costs agreement with the Toronto Dominion Bank is supported by a letter of comfort from the WRHA to a maximum of $25,551,821, with interest at prime minus 1.0%.

11. Demand Bank Loans

	2008	2007
Demand loan #1 - Manitoba Health	$ 58,830	$ 119,010
Phase II renovations	128,023	167,383
	$ 186,853	$ 286,393

The demand loan #1 with Manitoba Health bears interest at prime rate minus 0.8% with interest to be paid monthly.

The Phase II renovations loan bears interest at prime rate minus 0.75% repayable in equal monthly payments of $3,280 plus interest.

12. Accounts Payable

	2008	2007
Trade accounts payable	$ 2,360,060	$ 386,606
Accrued liabilities	178,480	142,808
Salaries and employee benefits payable	246,666	366,924
Holdback payable	1,132,152	87,089
	$ 3,917,358	$ 983,427

13. Mortgages Payable

	2008	2007
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 6.875%, requiring monthly principal and interest payments of $3,333, secured by the related property at the Kanee Centre, maturing in 2019.	$ 323,731	$ 341,358
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.875%, requiring monthly principal and interest payments of $3,806, secured by the related property at the Kanee Centre, maturing in 2020.	365,847	382,747
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.75%, requiring monthly principal and interest payments of $1,218, secured by the related property at the Kanee Centre, maturing in 2021.	125,017	129,980
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.625%, requiring monthly principal and interest payments of $1,096, secured by the related property at the Kanee Centre, maturing in 2022.	116,692	120,986
	931,287	975,071
Current portion of mortgages payable	45,300	42,395
	$ 885,987	$ 932,676

The mortgages are secured by the related property at the Kanee Centre.

Principal repayments required over the next five years are as follows:

2009	$ 45,300
2010	49,070
2011	52,625
2012	56,440
2013	60,532
Subsequent years	667,320
	$ 931,287

14. Note Payable

	2008	2007
Province of Manitoba - with interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	$ 6,468,750	$ 7,187,500
Current portion of note payable	718,750	718,750
	$ 5,750,000	$ 6,468,750

Minimum principal repayments required under the terms of the note payable are as follows:

2009	$ 718,750
2010	718,750
2011	718,750
2012	718,750
2013	718,750
Subsequent years	2,875,000
	$ 6,468,750

15. Deferred Contributions

Deferred contributions represent the unamortized amount of grants and funding received for the purchase of capital assets, equipment and major repairs. Changes in the deferred contribution balance reported are as follows:

	2008	2007
Balance, beginning of year	$ 8,326,776	$ 6,364,217
Contributions	2,521,083	2,552,866
Less amounts amortized to revenue	(631,027)	(2,521,083)
Balance, end of year	$ 10,216,832	$ 8,326,776

The balances as at March 31, 2008 and 2007 consist if the following:

	2008	2007
Deferred contributions relating to capital assets	$ 10,076,633	$ 8,218,559
Unspent funding for equipment	130,274	87,949
Unspent funding for major repairs	9,925	20,268
Balance, end of year	$ 10,216,832	$ 8,326,776

16. Contingencies

On July 1, 1987, a group of health care organizations ("subscribers"), including the Home, formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to re-assessment for losses, if any, in excess of such premiums, experienced by the pool of subscribers for the years in which they were a subscriber and these losses could be material. HIROC purchases reinsurance to reduce the likelihood of re-assessment. No such re-assessments have been made to March 31, 2008.

The Home is a named insured under the WRHA policy with HIROC.

17. Employee Future Benefits

Accrued pre-retirement obligations

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 5.5% (2007 - 4.85%) and a rate of salary increase of 3.5% (2007 - 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31,2004. Subsequent to march 31,2004, the Province has included in its ongoing annual funding to WRHA , an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

17. Employee Future Benefits (continued)

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2008	2007
Employee future benefits recoverable from		
Manitoba Health	$ 967,427	$ 967,427
Winnipeg Regional Health Authority	193,140	164,376
	$ 1,160,567	$ 1,131,803

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2008	2007
Balance, beginning of the year	$ 1,020,204	$ 942,701
Net increase in pre-retirement entitlements	28,764	77,503
Balance, end of year	$ 1,048,968	$ 1,020,204

Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $514,850 (2007 - $489,387) and are included in the statement of operations.

18. Related Entity

The Sharon Home, Inc. controls The Sharon Home Fund Inc. (the "Fund") by virtue of the fact that the majority of the board members are common to each board. The Fund is incorporated under the Corporations Act and is a registered charity under the Canada Income Tax Act.

The Fund was established to support and foster the operations of the The Sharon Home, Inc. The Fund supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets and results of the operations are not included in the financial statements of the Home. Separate financial statements of the Fund are available upon request. Financial summaries of the Fund as at March 31, 2008 and 2007 and for the years then ended are as follows:

	2008	2007
Financial position		
Total assets	$ 4,318,283	$ 3,216,668
Total liabilities	$ 2,715,907	$ 1,711,769
Total fund balances	1,602,376	1,504,899
Balance, end of year	$ 4,318,283	$ 3,216,668

	2008	2007
Results of operations		
Total revenue	$ 1,330,851	$ 1,636,250
Total expenses	(23,307)	(20,488)
Excess of revenue over expenses before the following	1,307,544	1,615,762
Contributions to The Sharon Home, Inc.	(1,210,067)	(1,701,924)
Excess (deficiency) of revenue over expenses	$ 97,477	$ (86,162)
Cash flows		
Cash provided by operating activities	$ 1,104,676	$ 1,611,123
Cash used in investing activities	(41,816)	(41,741)
Increase in cash	$ 1,062,860	$ 1,569,382

18. Related Entity (continued)

During the fiscal year 2008 the Home charged the Fund on a cost recovery basis $21,181 (2007 - $16,162) for administrative and special program expenditures. During the fiscal year 2008, the Fund contributed $77,584 (2007 - $74,769) to the Home to fund the interest and carrying charges on the land held for future developments These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2008, included in accounts receivable is an amount of $2,715,881 (2007 - $1,711,715) receivable from the Fund, of which $2,640,645 (2007 - $1,516,969) is a funding receivable from the Fund representing contributions received by the Fund under the Simkin Centre Phase II capital campaign. The contributions are recorded as deferred contributions (Note 15).

19. Resident Trust Funds

Included in the cash and accounts payable are funds held in trust for the Home's residents totalling $30,324 (2007 - $23,867).

20. Restricted Cash

Cash in the amount of $140,199 (2007 - $108,217) is restricted for capital asset purchases.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba	$ 65,890	$ 65,064
Participants' fees	13,252	11,615
	79,142	76,679
Expenses		
Salaries - general	36,658	34,194
Other	61,380	56,477
	98,038	90,671
Deficiency of revenue over expenses	(18,896)	(13,992)
Deficiency receivable from WRHA	18,896	13,992
Ending balance	$ -	$ -

To the Board members of West Park Manor Personal Care Home Inc.:

We have audited the statement of financial position of West Park Manor Personal Care Home Inc. as at March 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

May 22, 2008

Meyers Norris Penny LLP

Chartered Accountants

West Park Manor Personal Care Home Inc.

Statement of Financial Position

As at March 31, 2008

	2008	2007
Assets		
Current		
Cash *(Note 4)*	600,095	403,472
Short term investments *(Note 5)*	1,663,525	1,785,630
Accounts receivable *(Note 6)*	166,575	75,434
Prepaid expenses and deposits	96,821	78,711
Current portion of investments *(Note 7)*	300,000	400,000
	2,827,016	2,743,247
Investments *(Note 7)*	-	300,000
Capital assets *(Note 8)*	1,468,890	1,611,353
Deferred charges - future employee benefits *(Note 9)*	549,197	575,214
Receivable from Winnipeg Regional Health Authority	680,786	498,982
	5,525,889	5,728,796
Liabilities		
Current		
Accounts payable and accruals	1,808,808	1,857,599
Trust funds payable	209,039	205,354
Current portion of long-term debt	131,000	128,000
	2,148,847	2,190,953
Long-term debt *(Note 10)*	1,247,686	1,378,704
Deferred contributions *(Note 11)*	438,087	365,166
Accrued future employee benefits *(Note 9)*	606,533	632,550
	4,441,153	4,567,373
Net Assets		
Invested in capital assets	89,523	38,026
Unrestricted	365,272	569,033
	454,795	607,059
Restricted *(Note 12)*	629,941	554,364
	1,084,736	1,161,423
	5,525,889	5,728,796

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home, Inc.

Statement of Operations

For the year ended March 31, 2008

	Operating Fund	*Capital Fund*	**2008**	2007
Revenues				
Residential charges	2,660,597	-	**2,660,597**	2,558,127
Winnipeg Regional Health Authority				
Operating	4,562,276	-	**4,562,276**	4,444,399
Bed grant	11,703	-	**11,703**	11,712
Interest on approved borrowing	85,453	-	**85,453**	92,737
Year end adjustment *(Note 16)*	(6,928)	-	**(6,928)**	(17,179)
Medical salaries	3,816	-	**3,816**	3,552
Pre-retirement leave amortization	63,202	-	**63,202**	12,955
Wages accrual - MNU related	69,550	-	**69,550**	45,384
Over-cost funding	55,045	-	**55,045**	108
Median rate adjustment per diem	304,548	-	**304,548**	227,205
Non median rate funding	169,760	-	**169,760**	178,765
CUPE related	94,435	-	**94,435**	93,888
Other revenue	173,309	-	**173,309**	46,141
Amortization of deferred operating contributions *(Note 11)*	1,193	89,166	**90,359**	85,549
	8,247,959	89,166	**8,337,125**	7,783,343
Expenses				
Amortization	-	176,619	**176,619**	174,483
Dietary services and supplies	294,999	-	**294,999**	277,655
Employee benefits	1,169,224	-	**1,169,224**	1,043,013
Employee benefits - pre-retirement leave	98,368	-	**98,368**	17,625
General administration	196,488	-	**196,488**	118,272
Health and safety	67,293	-	**67,293**	48,666
Housekeeping	40,914	-	**40,914**	36,952
Interest on long-term debt	99,477	-	**99,477**	106,058
Laundry	24,947	-	**24,947**	23,450
Linen	1,728	-	**1,728**	6,225
Medical salaries	3,604	-	**3,604**	4,254
Nursing services and supplies	185,546	-	**185,546**	166,121
Recreation and handicraft supplies	15,046	-	**15,046**	14,894
Repairs and maintenance	123,264	-	**123,264**	103,552
Salaries and wages	5,716,389	-	**5,716,389**	5,457,927
Utilities	327,314	-	**327,314**	312,653
	8,364,601	176,619	**8,541,220**	7,891,800
Deficiency before adjustments	(116,642)	(87,453)	**(204,095)**	(108,457)
Pre-retirement future liability income *(Note 9)*	26,017	-	**26,017**	86,633
Pre-retirement future liability expense *(Note 9)*	(26,017)	-	**(26,017)**	(52,497)
Excess (deficiency) of revenues over expenses	(116,642)	(87,453)	**(204,095)**	(74,321)

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home, Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2008

	Operating Fund	Invested in capital assets	2007 Total	2006 Total
Net assets, beginning of year	569,033	38,026	**607,059**	670,487
Excess (deficiency) of revenues over expenses	(116,642)	(87,453)	**(204,095)**	(74,321)
Inter-fund transfer	(87,119)	87,119	-	-
Transfer from non-operating income reserve	-	51,831	**51,831**	10,893
Net assets, end of year	365,272	89,523	**454,795**	607,059

The accompanying notes are an integral part of these financial statements

1. Purpose of the Organization

West Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, and include the following significant accounting policies:

Marketable securities

Marketable securities are valued at the lower of cost and market value except where a decrease in market value is considered other than temporary.

Capital assets

Capital assets are recorded at cost. Other than buildings, amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful life. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	30 %
Equipment	straight-line	20 %
Call system and fire alarm	straight-line	6.25 %

Amortization on buildings is based on the annual principal reduction of associated debt, which is intended to amortize the value of the capital asset over their estimated useful life.

Reserve funds

In accordance with guidelines established by Manitoba Health and/or Winnipeg Regional Health Authority, the Organization has established reserves for future expenditures as approved by Manitoba Health and/or Winnipeg Regional Health Authority.

Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

2. Accounting policies *(Continued from previous page)*

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expenses as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Organization estimates the net book value of capital assets based upon the amortization period and the estimated useful lives of the capital assets. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become unknown.

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health and/or Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists of buildings, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

2. **Accounting policies** *(Continued from previous page)*

Financial Instruments

Fair Value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's investments are based on quoted market prices.

Classification of financial instruments

The Organization has classified short-term investments as available for sale. These instruments are initially recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Available for sale instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the fund balances upon impairment.

The Organization has classified accounts payable and long term debt as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the fund balances upon derecognition.

3. **Change in accounting policies**

Financial instruments

Effective April 1, 2007, the Organization adopted the CICA's new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

CICA 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to available-for-sale financial assets, outside of net income, in a statement of comprehensive income (loss).

Although the requirements of CICA 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to CICA 4400 Not-For-Profit Organizations require presentation of gains, losses, revenues and expenses arising from derivatives and other financial instruments as separate components of the change in net assets.

4. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Bank accounts earn interest at 4.25% (2006 - 2.25%) as at year-end.

	2008	*2007*
Bank	**582,616**	385,993
Restricted cash	**17,479**	17,479
	600,095	403,472

5. Short term investments

	2008	*2007*
Money market mutual funds, earning interest at 4.5% (2007 - 4.0%) at year end	**1,663,525**	1,785,630

The market value of the portfolio is $1,663,525 (2007 - $1,785,630) and includes no unrealized gains or losses.

6. Accounts receivable

	2008	*2007*
Trade receivables	**103,507**	19,991
Goods and Services Tax receivable	**39,980**	17,542
Interest receivable	**23,088**	37,901
	166,575	75,434

7. Investments

	2008	*2007*
Guaranteed investment certificate, matured during the year	-	400,000
Guaranteed investment certificate, interest 3.2%, matures March 31, 2009	**300,000**	300,000
	300,000	700,000
Less: current portion	**(300,000)**	(400,000)
	-	300,000

8. Capital assets

	Opening Cost	Additions	Disposals/ Write-offs	Closing Cost	Accumulated Amortization	*2008* Net book value	*2007* Net book value
Land	128,980	-	-	**128,980**	-	**128,980**	128,980
Buildings	2,193,659	-	-	**2,193,659**	**1,370,812**	**822,847**	942,466
Computer equipment	40,776	-	-	**40,776**	**35,445**	**5,331**	13,487
Equipment	1,794,524	34,157	-	**1,828,681**	**1,316,949**	**511,732**	526,420
	4,157,939	34,157	-	**4,192,096**	**2,723,206**	**1,468,890**	1,611,353

9. Deferred charges

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, funding owed to the Organization related to pre-retirement leave benefit and vacation pay liability is recognized as an out of global budget accounts receivable (Note 6) for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31, 2004 fiscal years are included in the Organization's global funding and is not recorded as a receivable, as Manitoba Health and/or Winnipeg Regional Health Authority had directed all health care facilities to record the future employee benefits but not the corresponding receivable. For March 31, 2007 fiscal year the organization incurred an employee future benefit liability increase of $52,497 and a future employee benefit receivable of $52,497 was recorded as directed by Manitoba Health and/or Winnipeg Regional Health Authority. An additional short term fundable receivable of $34,136 was recorded to offset a portion of the employee future benefit liability increases recorded for the (2005 $25,484) and (2006 $31,852) fiscal years. For March 31, 2008 fiscal year the Organization incurred an employee future benefit long term liability decrease of $26,017 and a future employee benefit long term receivable decrease was recorded for the same amount as directed by Manitoba Health and the WRHA as an offset to revenue and expense respectively.

10. Long-term debt

	2008	2007
First mortgage payable in monthly instalments of $8,289 including interest at 7.75%, secured by land and buildings having a net book value of $643,000 (2006 - $688,000), due August 1, 2023	**900,188**	929,758
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $3,550 plus interest, secured with a general security agreement, due November 1, 2011	**156,200**	198,800
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a general Security agreement, due March 15, 2014	**169,810**	200,230
Bank loan bearing interest at prime minus 0.50%, payable in montly instalments of $2,119 plus interest, secured with a general security agreement, due March 31, 2014	**152,488**	177,916
	1,378,686	1,506,704
Less: current portion	**131,000**	128,000
	1,247,686	1,378,704

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	131,000
2010	133,000
2011	136,000
2012	124,000
2013	96,000

11. Deferred contributions

Changes for the year in the deferred contribution balance are as follows:

	Capital	*Insurance*	*2008*	*2007*
Balance, beginning of year	355,448	9,718	**365,166**	289,601
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	127,070	-	**127,070**	124,904
- Equipment replacement	26,250	-	**26,250**	26,250
- Major repairs	7,944	-	**7,944**	7,944
- Insurance deductible	-	2,016	**2,016**	2,016
Recognized as revenue during the year	(89,166)	(1,193)	**(90,359)**	(85,549)
Balance, end of year	427,546	10,541	**438,087**	365,166

12. Restricted net assets

Internally restricted net assets are comprised of:

Non-operating income reserve	*2008*	*2007*
Balance, beginning of year	526,131	444,955
Interest	109,834	101,299
Payments expenditures	(100)	(9,230)
Contribution to Capital Fund	(34,157)	(10,893)
Balance, end of year	601,708	526,131
Reserve for major repairs		
Balance, beginning of year	28,233	28,233
Expenditures	-	-
Balance, end of year	28,233	28,233
	629,941	554,364

These net assets are restriced in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discretion of the board of directors.

13. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable as described in Note 6. Of the $847,361 (2007 - $574,417) of receivables, $680,786 (2007 - 498,982) is due from the Manitoba Health/Winnipeg Regional Health Authority.

14. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or Winnipeg Regional Health Authority and its ability to continue viable operations is dependent upon maintaining this funding.

15. Statement of cash flows

A statement of change in cash flows has not been prepared because the information about operating, financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

16. Year end adjustment

The year end adjustment in the revenues section of the Statement of Operations represents the difference in the funding budget and the actual for residential charges received from residents. The amount is set up as a payable to Winnipeg Regional Health Authority (WRHA) and represents a decrease to WRHA revenue.

17. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

booke
& partners
CHARTERED ACCOUNTANTS

500 - FIVE DONALD STREET
WINNIPEG, MANITOBA
R3L 2T4

TEL: (204) 284-7060
FAX: (204) 284-7105

Auditors' Report

To the Directors of
Women's Health Clinic Inc.

We have audited the statement of financial position of Women's Health Clinic Inc. as at March 31, 2008 and the statements of financial activities, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Women's Health Clinic Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 27, 2008

Chartered Accountants

Women's Health Clinic Inc.
Statement of Financial Activities
Year Ended March 31

	Operating Fund	Donation Fund	Capital Fund	**2008 Total**	2007 Total
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$2,623,321	$ -	$ -	**$2,623,321**	$2,238,674
Capital payments	-	-	23,798	**23,798**	27,178
United Way of Winnipeg	207,012	3,958	-	**210,970**	194,730
Province of Manitoba	138,880	2,416	-	**141,296**	142,948
Challenge grant	-	-	-	**-**	2,713
Medical supplies	68,252	21,517	-	**89,769**	102,497
Membership	1,170	-	-	**1,170**	1,405
Miscellaneous	32,008	-	-	**32,008**	33,560
Investment income	-	22,741	-	**22,741**	15,148
Health Canada	122,164	-	-	**122,164**	195,382
The Winnipeg Foundation	-	-	-	**-**	33,894
Annual general meeting	880	-	-	**880**	995
Fee for service	297,184	-	-	**297,184**	297,415
Contributions and fundraising	-	31,402	10,993	**42,395**	43,710
Rent	-	-	19,035	**19,035**	19,215
	3,490,871	82,034	53,826	**3,626,731**	3,349,464
Expenses					
Operating Fund (Page 11)	3,302,267	-	-	**3,302,267**	3,173,842
Donation Fund (Page 12)	-	47,448	-	**47,448**	62,783
Amortization	-	-	70,834	**70,834**	68,282
Interest on mortgage	-	-	38,066	**38,066**	38,615
	3,302,267	47,448	108,900	**3,458,615**	3,343,522
Excess (deficiency) of revenues over expenses before under noted items	188,604	34,586	(55,074)	**168,116**	5,942
Pre-retirement leave (Note 11)					
Prior year recovery	-	-	-	**-**	16,180
Current year recovery	22,453	-	-	**22,453**	15,217
Expense	(22,453)	-	-	**(22,453)**	(22,712)
Excess (deficiency) of revenues over expenses	$ 188,604	$ 34,586	$ (55,074)	**$ 168,116**	$ 14,627

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Changes in Fund Balances

March 31

	Operating Fund	Donation Fund	Capital Fund	**2008 Total**	2007 Total
Fund balance, beginning of year	$ (28,785)	$ 115,311	$ 34,634	**$ 121,160**	$ 106,533
Excess (deficiency) of revenues over expenses	188,604	34,586	(55,074)	**168,116**	14,627
Fund balance, end of year	$ 159,819	$ 149,897	$ (20,440)	**$ 289,276**	$ 121,160

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2008	2007
Assets		
Current		
Cash (Note 3)	**$ 824,950**	$ 560,831
Receivables	**192,040**	124,584
Due from Winnipeg Regional Health Authority	**108,716**	105,352
Inventories	**30,216**	20,585
Prepaids	**8,813**	6,480
	1,164,735	817,832
Capital (Note 4)	**954,416**	962,466
	$2,119,151	$1,780,298
Liabilities		
Current		
Payables and accruals	**$ 436,852**	$ 394,399
In Trust for Women's Health Conference	**-**	5,306
In Trust for Disabled Women's Network	**90**	-
Deferred revenue	**9,026**	8,052
Deferred contributions		
Operating Fund (Note 5)	**331,714**	182,240
Related to capital assets (Note 6)	**290,470**	306,017
Demand loans (Note 7)	**589,130**	612,984
	1,657,282	1,508,998
Pre-retirement leave	**172,593**	150,140
	1,829,875	1,659,138
Fund Balances		
Operating Fund	**159,819**	(28,785)
Donation Fund	**149,897**	115,311
Capital Fund	**(20,440)**	34,634
	289,276	121,160
	$2,119,151	$1,780,298

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Cash Flows
Year Ended March 31

	2008	2007
Cash derived from (applied to)		
Operating		
Excess of revenues over expenses	$ 168,116	$ 14,627
Amortization	70,834	68,282
Bad debt	-	20,000
Amortization of deferred contributions	(34,791)	(37,671)
	204,159	65,238
Change in non-cash operating assets and liabilities (Note 8)	127,353	76,663
	331,512	141,901
Investing		
Purchase of capital assets	(62,783)	(39,308)
Funding received to purchase capital assets	19,244	15,339
	(43,539)	(23,969)
Financing		
Repayment of demand loan	(23,854)	(23,306)
Net increase in cash	264,119	94,626
Cash, beginning of year	560,831	466,205
Cash, end of year	$ 824,950	$ 560,831

See accompanying notes to the financial statements.

booke & partners
CHARTERED ACCOUNTANTS

1. Nature of operations

Women's Health Clinic Inc. is a Community Health Centre based on principles of feminism, equity and diversity. The Organization works towards promoting the health and well-being of women. The approach to health is to facilitate empowerment, choice and action.

The Organization was formed in 1981, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Donation Fund reports all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The Capital Fund reports the assets and liabilities, revenues and expenses related to the Organization's capital assets.

b) Revenue recognition

Women's Health Clinic Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

d) Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution.

booke & partners
CHARTERED ACCOUNTANTS

2. Significant accounting policies (cont.)

e) Amortization

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Building and improvements	25 years	straight-line
Computers	5 years	straight-line
Furniture and fixtures	10 years	straight-line
Security system	10 years	straight-line
Medical equipment	5 years	straight-line

Amortization expense is reported in the Capital Fund.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

Unless otherwise stated in these financial statements, the fair value of the Organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

The Organization has a line of credit in the amount of $25,000 which is not being used at March 31, 2008 nor at March 31, 2007.

4. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	883,016	147,903	**735,113**	727,565
Computers	58,931	22,069	**36,862**	9,054
Furniture and fixtures	44,626	28,824	**15,802**	57,711
Security system	45,591	16,169	**29,422**	33,982
Medical equipment	10,320	3,103	**7,217**	4,154
	$ 1,172,484	$ 218,068	**$ 954,416**	$ 962,466

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2008	2007
Health Canada	$ **16,406**	$ 17,770
United Way of Winnipeg	**6,678**	6,690
University of Alberta	**4,255**	4,255
Winnipeg Regional Health Authority	**289,525**	138,695
Healthy Child Manitoba	**10,126**	10,126
The Winnipeg Foundation	**3,184**	3,184
CWHN	**1,500**	1,500
Healthy Baby	**40**	20
	$ **331,714**	$ 182,240

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $290,470 (2007 - $306,017) represent grants and donations for building, computers, furniture and fixtures and medical equipment. Deferred contributions are amortized on the statement of financial activities.

booke & partners
CHARTERED ACCOUNTANTS

7. Demand loans

	2008	2007
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 584,551**	$ 606,366
Loan, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $200, due on demand	**4,579**	6,618
	$ 589,130	$ 612,984

The Organization's land and building are pledged as security for the debt.

Principal repayments of the demand loan obligation estimated to be required in each of the next five years are as follows:

2009	$ 29,174
2010	30,896
2011	30,355
2012	32,041
2013	33,933
	$ 156,399

8. Change in non-cash operating assets and liabilities

	2008	2007
Receivables and due from Winnipeg Regional Health Authority	**$ (70,820)**	$ (27,238)
Inventories	**(9,632)**	8,967
Prepaids	**(2,333)**	(184)
Payables and accruals	**64,906**	85,285
Funds held in trust	**(5,216)**	-
Deferred revenue and deferred contributions	**150,448**	9,833
	$ 127,353	$ 76,663

9. Economic dependence

The volume of financial activity undertaken by Women's Health Clinic Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

booke & partners
CHARTERED ACCOUNTANTS

10. Endowment fund

In 2002 the Organization established an Endowment Fund to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Women's Health Clinic annually to support general operations. As of March 31, 2008, the Organization's contributions to the Endowment Fund totalled $60,153 (2007 - $47,295).

11. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the Organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligaton that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $22,453 (2007 - $22,712).

A portion of the pre-retirement benefits for the prior year of $NIL (2007 - $16,180) and current year of $22,453 (2007 - $15,217) were funded by Winnipeg Regional Health Authority during the year.

booke & partners
CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Schedule of Operating Fund Expenses

Year Ended March 31	2008	2007
Salaries	$2,025,734	$1,832,309
Employee benefits	271,734	245,179
Purchased services	423,421	403,528
Community relations	15,665	10,849
Association membership fees	551	1,017
Labour relations membership fees	90	385
Bad debt	-	32,500
Bonding and insurance	3,216	7,798
Postage	17,778	23,437
Printing, stationery and office supplies	68,873	57,028
Professional fees	21,889	8,121
Accounting and computer fees	15,769	38,173
Staff recruitment	3,530	1,017
Staff training	11,547	17,941
Telephone	30,577	31,624
Other supplies	35,482	29,414
Medical and surgical supplies	98,992	85,019
Purchases of medical supplies inventories	63,125	96,912
Repairs and maintenance	18,666	89,654
Health education materials	1,382	1,452
Occupancy costs	94,591	104,944
Utilities	61,307	35,819
Volunteer services	818	321
Lectures and honorariums	282	5,376
Travel	17,248	14,025
	$3,302,267	$3,173,842

Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31

	2008	2007
Volunteer appreciation	$ 1,098	$ 3,228
Fundraising	9,727	17,495
Programs	23,765	29,773
The Winnipeg Foundation "Women's Health Clinic Fund" (Note 10)	12,858	12,287
	$ 47,448	$ 62,783

Deloitte & Touche LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre for Children Foundation Inc.

We have audited the statement of financial position of the Rehabilitation Centre for Children Foundation Inc. as at March 31, 2008 and the statements of revenue and expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were unable to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenditures, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations and fundraising proceeds referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2008

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.

Statement of Revenue and Expenditures

Year Ended March 31, 2008

	Unrestricted Fund	Restricted Fund	Capital Asset Fund	Total 2008	Total 2007
REVENUE					
Donations					
General	$ 94,065	$ -	$ -	**$ 94,065**	$ 80,049
Restricted	-	319,127	-	**319,127**	203,730
Estates	2,000	-	-	**2,000**	25,000
In kind	18,862	-	-	**18,862**	44,605
Investment income	49,897	-	-	**49,897**	64,617
Fundraising	174,180	274,128	-	**448,308**	375,463
	339,004	593,255	-	**932,259**	793,464
EXPENDITURES					
Grants					
Assistive Technology (Note 8)	16,183	128,353	-	**144,536**	157,013
Staff Development	15,379	-	-	**15,379**	12,056
Assessment and Treatment Equipment	-	185,186	-	**185,186**	122,688
Research	24,990	-	-	**24,990**	24,990
SSCY Funds	-	-	-	**-**	-
	56,552	313,539	-	**370,091**	316,747
Fundraising materials	79,812	-	-	**79,812**	77,296
Recognition awards	9,324	-	-	**9,324**	5,922
Public relations	55,252	-	-	**55,252**	13,896
Membership and conference fees	3,061	-	-	**3,061**	2,509
Salaries and benefits	188,818	-	-	**188,818**	175,863
Office expenses	17,151	-	-	**17,151**	15,327
Professional fees	3,313	-	-	**3,313**	3,327
Marketing expenses	26,138	-	-	**26,138**	13,486
Amortization	-	-	2,757	**2,757**	1,481
	439,421	313,539	2,757	**755,717**	625,854
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) FOR THE YEAR	$ (100,417)	$ 279,716	$ (2,757)	**$ 176,542**	$ 167,610

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.
Statement of Financial Position
March 31, 2008

	2008	2007
ASSETS		
Current		
Cash	$ 131,220	$ 185,790
Accounts receivable	40,742	6,094
Inventory	23,621	20,712
Prepaid expenses	9,387	3,118
	204,970	215,714
INVESTMENTS (Note 4)	1,748,150	1,571,443
OTHER ASSETS (Note 5)	61,758	56,808
	$ 2,014,878	$ 1,843,965
LIABILITIES		
Current		
Accounts payable	$ 49,433	$ 35,957
Due to Rehabilitation Centre for Children, Inc. (Note 10)	51,749	60,079
	101,182	96,036
FUND BALANCES		
Unrestricted Fund	977,762	1,092,956
Capital Asset Fund	6,471	5,226
Restricted Fund	753,931	477,284
Road to Rehab Restricted Fund	11,250	8,181
Leslie Barker Estate Fund	164,282	164,282
	1,913,696	1,747,929
	$ 2,014,878	$ 1,843,965

APPROVED BY THE BOARD

..... Director

John Platt

..... Director

J.P. (Pat) McNeil

REHABILITATION CENTRE FOR CHILDREN FOUNDATION INC.

Statement of Changes in Fund Balances

Year Ended March 31, 2008

	2008						2007
	Unrestricted Fund	Capital Asset Fund	Restricted Fund	Road to Rehab Restricted Fund	Leslie Barker Estate Fund	Total	Total
Balance, beginning of year as previously stated	$ 1,092,956	$ 5,226	$ 477,284	$ 8,181	$ 164,282	**$ 1,747,929**	$ 1,580,319
Change in accounting policies (Note 2)	(10,775)	-	-	-	-	**(10,775)**	-
Balance, beginning of year, restated	1,082,181	5,226	477,284	8,181	164,282	**1,737,154**	1,580,319
Excess of revenue over expenses (expenses over revenue) for the year	(100,417)	(2,757)	279,716	-	-	**176,542**	167,610
Interfund transfers	(4,002)	4,002	(3,069)	3,069	-	-	-
Balance, end of year	$ 977,762	$ 6,471	$ 753,931	$ 11,250	$ 164,282	**$ 1,913,696**	$ 1,747,929

1. NATURE AND OBJECTIVE OF THE FOUNDATION

The Rehabilitation Centre for Children Foundation Inc. (the "Foundation") was formed by Articles of Incorporation under the Corporations Act of Manitoba on October 27, 1981, without share capital, and is a registered charity under the Income Tax Act, Canada. The Foundation solicits, maintains and allocates funds in support of the activities of the Rehabilitation Foundation for Children, Inc., an organization whose primary purpose is to improve the quality of life for children and families through the provision of pediatric rehabilitation.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the Foundation has adopted the following recommendations of the CICA Handbook:

a) Section 1506, Accounting Changes. This revised standard requires that (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with restated amounts for prior periods and reasons for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Foundation has not made any voluntary change in accounting principles since the adoption of the revised standard.

b) *Section 3855, Financial Instruments – Recognition and Measurement*. This standard describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

c) *Section 3861, Financial Instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

d) *Section 3251, Equity*. This Section establishes standards for the presentation of net assets and changes in net assets during the reporting period.

The Foundation has made the following classifications:

- Cash and investments are classified as financial assets held for trading and are measured at fair value.
- Accounts receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest rate method.
- Accounts payable is classified as other liabilities and is measured at amortized cost using the effective interest rate method.

2. CHANGES IN ACCOUNTING POLICIES (continued)

These new standards were applied retroactively as of April 1, 2007 without restatement of prior years' figures. Accordingly, the Foundation's net assets at April 1, 2007 were affected by the application of these new standards in the amount of $10,775. As at that date, net assets were decreased by that amount together with an offsetting decrease to various investments to adjust these assets to their market value.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Fund accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund is available for unrestricted distribution in accordance with the aims and objectives of the Foundation and the discretion of the Board.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

The Road to Rehab Restricted fund is restricted for the use in that program.

The Restricted Fund is available for restricted distribution in accordance with the conditions attached by the donors and contributors.

The Leslie Barker Estate Fund is restricted for use for research of special devices for disabled children in Manitoba.

b) Capital assets

Equipment acquisitions are recorded at cost, and are amortized on a straight-line basis over three years, with one-half year's amortization taken in the year of acquisition.

c) Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All investment income is unrestricted and is recognized as revenue in the Unrestricted Fund.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Foreign exchange*

Monetary balances, including investments, held at year-end in U.S. currency are translated to Canadian dollars at the year-end exchange rate. Revenue and expenses are translated at the rate of exchange prevailing at the time of the transaction.

Gains and losses on translation of foreign currency are included in income.

e) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments.

Classification

Cash	Held for trading
Investments	Held for trading
Accounts receivable	Loans and receivables
Accounts payable	Other liabilities
Amounts due to Rehabilitation Foundation for Children	Other liabilities

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Foundation does not have any financial instruments classified as held-to-maturity as at March 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Foundation uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

f) Future accounting changes

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation, and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Foundation will adopt the new standards for its fiscal year beginning April 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Foundation is currently assessing the impact of these new standards on its financial statements.

4. INVESTMENTS

	2008	2007
GIC's (> 1 year)		
Special Edition 19-month GIC	$ 150,000	$ -
Bonds		
Government of Canada Bond, maturing September 1, 2010, interest at 4.00%	20,619	85,000
Canada Housing Trust No. 1, maturing between September 15, 2008 and December 15, 2008, interest between 3.70% and 4.10%	332,730	330,000
Manitoba Hydro Bonds, maturing between June 15, 2010 and June 15, 2011, Interest between 4.20% and 4.60%	400,000	352,300
Province of Manitoba Builder Bonds, maturing Between June 15, 2008 and June 15 2009, interest between 3.25 and 4.45%	312,100	312,100
General Motors Acceptance Corp, maturing May 9, 2008, interest at 5.125%	54,096	61,199
Bank of Nova Scotia, maturing September 16 2008, interest between 4.00% and 7.25%	49,590	50,000
Province of Ontario, maturing September 22 2008, interest at 4.15%	198,886	200,000
Accrued interest	29,966	27,798
Mutual Funds		
Canadian Financial Income Fund Units	33,320	38,496
Citadel Premium Income	38,760	45,675
Macquarie Power and Infrastructure Income Fund	34,120	42,258
First Asset Diversified Convertible Debenture Fund	86,000	-
CIBC Money Market Fund	6,525	26,617
CIBC Money Market Fund – U.S.	1,438	-
	$ 1,748,150	$ 1,571,443

5. OTHER ASSETS

	2008	2007
Charitable remainder trusts	$ 55,287	$ 51,582
Capital assets (Note 6)	6,471	5,226
	$ 61,758	$ 56,808

The Foundation is the owner and capital beneficiary of the charitable remainder trusts and will become entitled to the investment income from these funds upon the death of the donor

6. CAPITAL ASSETS

	2008	2007
Equipment		
Balance, beginning of year	$ 20,209	$ 13,939
Net additions	4,002	6,270
Balance, end of year	24,211	20,209
Accumulated amortization		
Balance, beginning of year	14,983	13,502
Amortization for the year	2,757	1,481
Balance, end of year	17,740	14,983
Net book value	$ 6,471	$ 5,226

Included in net assets is $6,270 (2007 – $6,270) of donated capital assets.

7. INTEREST RATE AND CREDIT RISK

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Foundation's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Foundation's assets. The value of the Foundation's assets is affected by short-term changes in nominal interest rate and equity markets.

b) Credit Risk

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Foundation has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment policies.

8. ASSISTIVE TECHNOLOGY

Included in the assistive technology expenditures for the year ended March 31, 2008 are donations in-kind of $15,141 (2007 - $38,335).

9. STATEMENT OF CASH FLOWS

A separate statement of cash flows is not presented since cash flows from operating, investing and financing activities are readily apparent from other financial statements.

10. RELATED ENTITIES

The Rehabilitation Foundation for Children, Inc. operates a health care facility in Winnipeg, Manitoba. The Foundation exists primarily to support the activities of the Rehabilitation Centre for Children (the Centre). A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation may at its discretion fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities.

During the year, the Foundation donated a total of $356,412 to the Centre in the form of cash and capital donations (2007 - $314,830).

VOLUME 4 - SECTION 4

TABLE OF CONTENTS PAGE

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

- Special Operating Agencies Financing Authority	March 31, 2008	1901
Civil Legal Services	March 31, 2008	1918
Companies Office	March 31, 2008	1928
Crown Lands and Property Agency	March 31, 2008	1939
Fleet Vehicles Agency	March 31, 2008	1950
Food Development Centre	March 31, 2008	1965
Green Manitoba Eco Solutions	March 31, 2008	1980
Industrial Technology Centre	March 31, 2008	1992
Manitoba Education, Research and Learning Information Networks (MERLIN)	March 31, 2008	2002
Manitoba Securities Commission	March 31, 2008	2014
Manitoba Text Book Bureau	March 31, 2008	2027
Materials Distribution Agency	March 31, 2008	2038
Office of the Fire Commissioner	March 31, 2008	2054
Organization and Staff Development	March 31, 2008	2070
Pineland Forest Nursery	March 31, 2008	2081
The Property Registry	March 31, 2008	2093
The Public Trustee	March 31, 2008	2106
Vital Statistics Agency	March 31, 2008	2120
- Sport Manitoba Inc	March 31, 2008	2134
- Tire Stewardship Board	March 31, 2008	2147
- Travel Manitoba	March 31, 2008	2154
- University College of The North	June 30, 2007	2165
- University of Manitoba	March 31, 2008	2182
- University of Winnipeg	March 31, 2008	2202
- Venture Manitoba Tours Ltd	March 31, 2008	2232

GOVERNMENT ENTERPRISES:

- Leaf Rapids Town Properties Ltd	March 31, 2008	2242
- Manitoba Hazardous Waste Management Board	March 31, 2008	2243
- Manitoba Hydro - Electric Board	March 31, 2008	2253
- Manitoba Liquor Control Commission	March 31, 2008	2278
- Manitoba Lotteries Corporation	March 31, 2008	2290
- Manitoba Product Stewardship Corporation	March 31, 2008	2306
- Manitoba Public Insurance Corporation	February 28, 2008	2317
- Workers Compensation Board of Manitoba	December 31, 2007	2343

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 16, 2008.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management.

Lynn Cowley
Chairperson
Special Operating Agencies Financing Authority

July 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority as at March 31, 2008, and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008, and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
July 16, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(In Thousands)

March 31	2008	2007 (Restated)
Assets		
Current:		
Cash and Term deposits with the Minister of Finance	$ 38,009	$ 32,116
Customer deposits	1,407	1,352
Accounts receivable (Note 3)	14,117	12,468
Inventories	4,563	4,881
Other deposits	554	-
Prepaid expenses	2,958	3,154
Receivable from the Province of Manitoba (Note 6)	5,469	-
	67,077	53,971
Trust assets	13	12
Restricted short-term deposits (Note 4)	750	750
Deposit in joint venture	-	200
Capital assets (Note 5)	71,244	70,376
Receivable from the Province of Manitoba (Note 6)	-	5,469
	$ 139,084	$ 130,778
Liabilities		
Current:		
Working capital advances (Note 7)	$ 7,055	$ 8,502
Accounts payable and accruals	18,659	12,381
Unearned revenue	5,491	4,481
Current portion - long-term debt (Note 9)	7,131	6,992
	38,336	32,356
Trust liabilities	13	12
Unearned revenue	626	1,184
Deferred Capital Contributions (Note 8)	10,422	9,256
Long-term debt - Province of Manitoba (Note 9)	16,609	19,511
Severance liability (Note 11)	5,379	5,286
	71,385	67,605
Equity		
Contributed equity (Note 12)	17,837	17,837
Reserve funds (Note 13)	1,483	1,475
Retained earnings (Note 12)	48,379	43,861
	67,699	63,173
	$ 139,084	$ 130,778
Commitments (Note 14)		

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income, Comprehensive Income and Retained Earnings

(In Thousands)

Year Ended March 31	2008	2007 (Restated)
Revenue		
Annual levy	$ 13	$ 14
Treasury Board Secretariat/Finance contribution	94	101
	107	115
Expenses		
Salaries and benefits	77	84
Other operating	27	29
	104	113
Financing Authority operations	3	2
Special Operating Agency operations – Net Income (Loss) and Comprehensive Income		
Civil Legal Services	5	16
Companies Office	2,443	2,185
Crown Lands and Property Agency	(774)	(388)
Fleet Vehicles Agency	3,168	3,070
Food Development Centre	207	317
Green Manitoba Eco Solutions	105	(155)
Industrial Technology Centre	(6)	(136)
MERLIN	293	314
Manitoba Securities Commission	8,851	8,440
Manitoba Text Book Bureau	(6)	18
Materials Distribution Agency	83	(174)
Office of the Fire Commissioner	489	663
Organization and Staff Development	48	269
Pineland Forest Nursery	(97)	(164)
The Property Registry	10,610	9,909
The Public Trustee	(110)	(70)
Vital Statistics Agency	609	546
Net Income and Comprehensive Income for the year	25,921	24,662
Retained earnings, beginning of year (originally reported)	43,933	39,369
Prior period adjustment (Note 15)	(72)	-
Retained earnings, beginning of year (restated)	43,861	39,369
Transfer from (to) Reserve Funds (Note 13)	(8)	(25)
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(200)
Companies Office	(2,000)	(1,615)
Fleet Vehicles Agency	(1,500)	(1,500)
Manitoba Securities Commission	(7,300)	(7,250)
Materials Distribution Agency	(400)	(400)
The Property Registry	(9,715)	(9,000)
Vital Statistics Agency	(280)	(180)
	(21,395)	(20,145)
Retained earnings, end of year	$48,379	$43,861

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(In Thousands)

Year Ended March 31	2008	2007 (Restated)
Cash derived from (applied to):		
Operating		
Net income	$ 25,921	$ 24,662
Amortization	13,808	13,487
Amortization of deferred capital contributions	(668)	(590)
Gain on disposal of capital assets	(599)	(546)
	38,462	37,013
Change in:		
Customer deposit accounts	(55)	(81)
Accounts receivable	(1,649)	(809)
Inventories	318	(267)
Prepaid expenses	196	(480)
Accounts payable and accruals	6,278	968
Severance liability	93	306
Unearned revenue	452	419
Cash derived from operating activities	44,095	37,069
Investing		
Proceeds from disposal of capital assets	2,306	2,125
Acquisition of capital assets	(16,383)	(17,220)
Deposits in joint ventures	200	-
Other deposits	(554)	-
Cash applied to investing activities	(14,431)	(15,095)
Financing		
Change in Receivable from the Province of Manitoba	-	(346)
Proceeds from long-term debt	4,340	7,060
Long-term debt repayments	(7,103)	(6,566)
Capital lease obligations	-	(7)
Transfer of surplus funds	(21,395)	(20,145)
Change in deferred capital contributions	1,834	571
Change in contributed equity	-	9
Cash applied to financing activities	(22,324)	(19,424)
Increase in cash and cash equivalents	7,340	2,550
Cash and cash equivalents:		
Beginning of year	23,614	21,064
End of year	$ 30,954	$ 23,614
Represented by:		
Cash and Term deposits with the Minister of Finance	$ 38,009	$ 32,116
Working capital advances	(7,055)	(8,502)
	$ 30,954	$ 23,614

See accompanying notes to the financial statements.

1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2008 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Crown Lands and Property Agency, Department of Infrastructure and Transportation
Fleet Vehicles Agency, Department of Infrastructure and Transportation
Food Development Centre, Department of Agriculture, Food and Rural Initiatives
Green Manitoba Eco Solutions, Department of Science, Technology, Energy and Mines
Industrial Technology Centre, Department of Science, Technology, Energy and Mines
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Science, Technology, Energy and Mines
Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education, Citizenship and Youth
Materials Distribution Agency, Department of Infrastructure and Transportation
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

2. Significant Accounting Policies

a. General

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

b. Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

c. New Accounting Policies

Effective April 1, 2007 the Financing Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Financing Authority has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Financing Authority has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

Section 3855, *Financial Instruments – Recognition and Measurement* (continued)

The Financing Authority is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Financing Authority has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Financing Authority's financial statements for the year ended March 31, 2008.

d. Financial Instruments

The Financing Authority's financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Financing Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of the long-term debt from the Province of Manitoba is determined using the present value of future cash flows under current financing agreements, based on the Financing Authority's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long-term debt is $23,931 as at March 31, 2008 (2007 - $26,418).

e. Inventories

Inventories are valued at the lower of cost and net realizable value.

f. Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	6 2/3% - 20%, straight line
	20% - 30%, declining balance
Computer equipment and software	20%, straight line
	20%, declining balance
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	15 - 40 years, straight line
	10%, declining balance
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	5 - 10 years, straight line
Other assets	5 - 10 years, straight line

g. Administrative expenses paid by the Province of Manitoba

The Treasury Board Secretariat / Finance contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

h. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

i. Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories
In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Financing Authority will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Financing Authority does not expect that the adoption of this new Section will have a material impact on its financial statements.

3. Accounts receivable

	2008	2007
Trade	$13,476	$10,987
Insurance agency rebate	455	466
Other	186	1,015
	$14,117	$12,468

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

4. Restricted short-term deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 13b).

5. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Vehicles, fire engines	$ 92,171	$44,101	$48,070	$49,276
Equipment and furniture	16,835	9,518	7,317	5,879
Rental equipment	5,116	3,816	1,300	1,101
Computer equipment and software	6,128	4,229	1,899	1,486
Buildings	15,419	5,521	9,898	9,855
Practical training site	2,302	1,058	1,244	1,323
Leasehold improvements	2,434	1,770	664	824
Other assets	2,131	1,279	852	632
	$142,536	$71,292	$71,244	$70,376

6. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998; the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999; and the benefits earned by certain employees of the Crown Lands and Property Agency prior to March 31, 2006.

The balance is comprised of:

	2008	2007
Vacation entitlements	$ 1,841	$ 1,841
Severance pay benefits	3,628	3,628
	5,469	5,469
Less: long-term portion	-	5,469
Amount due within one year	$ 5,469	$ -

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on behalf of the Financing Authority until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

7. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, 129/2000, 185/2005, and 134/2006, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $25,070 (2007 - $25,070) at any one time. As at March 31, 2008, $ 18,015 (2007 - $16,568) of these advances was unused and available.

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received by the Food Development Centre from the Federal Government and the Province of Manitoba for the purchase of equipment and construction of a building. These amounts will be taken into income to match the amortization of the equipment and building.

9. Long-term debt - Province of Manitoba

		2008	2007
4.250%	repayable in semi-annual instalments of $176 principal and interest, maturing in 2008	-	176
4.750%	repayable in semi-annual instalments of $397 principal and interest, maturing in 2008	-	767
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	278	540
3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	291	571
3.500%	repayable in semi-annual instalments of $259 principal and interest, maturing in 2009	504	991
5.250%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2010	454	738
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2010	381	618
4.125%	repayable in semi-annual instalments of $56 principal and interest, maturing in 2010	161	263
4.000%	repayable in semi-annual instalments of $ 167 principal and interest, maturing in 2010	636	935
4.375%	repayable in semi-annual instalments of $438 principal and interest, maturing in 2010	1,662	2,440
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2011	568	776
4.750%	repayable in semi-annual instalments of $ 227 principal and interest, maturing in 2011	1,256	1,637
4.750%	repayable in semi-annual instalments of $ 451 principal and interest, maturing in 2011	2,494	3,250
4.875%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2012	870	1,093
4.750%	repayable in semi-annual instalments of $ 102 principal and interest, maturing in 2012	652	819

9. Long-term debt - Province of Manitoba (continued)

4.625%	repayable in semi-annual instalments of $ 475 principal and interest, maturing in 2012	3,435	4,200
4.750%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2013	1,095	1,308
5.000%	repayable in semi-annual instalments of $ 142 principal and interest, maturing in 2013	1,129	-
4.000%	repayable in semi-annual instalments of $ 345 principal and interest, maturing in 2013	3,100	-
4.050%	repayable in semi-annual instalments of $ 140 principal and interest, maturing in 2014	1,370	1,589
4.875%	repayable in semi-annual instalments of $ 148 principal and interest, maturing in 2015	1,732	1,935
4.125%	repayable in semi-annual instalments of $ 117 principal and interest, maturing in 2016	1,495	1,662
5.800%	repayable in annual instalments of $ 18 principal and interest, maturing in 2017	177	195
		23,740	26,503
	Amount due within one year	7,131	6,992
		$ 16,609	$ 19,511

Principal repayments in each of the next five years are as follows:

2009	$7,131
2010	5,990
2011	4,562
2012	3,037
2013	1,690

Unused loan authority of $1,240 was available for Fleet Vehicles Agency as of March 31, 2007. An additional $11,050 of loan authority availability was approved for the three agencies (listed in the following table) during October 2007 in The Loan Act, 2007.

	The Loan Act, 2007
Fleet Vehicles Agency	$ 8,000
Companies Office	2,050
The Property Registry	1,000
Total incremental loan authority	$ 11,050

9. Long-term debt - Province of Manitoba (continued)

Of the $12,290 in available loan authority, $4,340 was drawn down at various times during the 2007/08 year, leaving $7,950 of loan authority availability unutilized as of March 31, 2008.

10. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the special operating agencies, through the Civil Service Superannuation Fund.

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employee's current contributions to the CSSB and had no additional liability under the CSSA.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees. Commencing April 1, 2001, these SOAs were required to pay to the Province an amount equal to their employees' current pension contributions. The amount paid for 2008 was $2,001 (2007 - $1,986). Under this agreement, these SOAs have no further pension liability.

11. Severance liability

Effective April 1, 1998 or the date of their creation, whichever is later, SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2008 was $5,379 (2007 - $5,286). Commencing in the 2006 fiscal year the actuarial loss of $367 is being amortized over the 15 year expected average remaining service life of the employee group.

12. Equity

	2008	2007
Contributed equity		
Fleet Vehicles Agency	$ 4,284	$ 4,284
Green Manitoba Eco Solutions	9	9
Industrial Technology Centre	62	62
Manitoba Text Book Bureau	550	550
Materials Distribution Agency	1,297	1,297
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,837	$17,837
Retained earnings		
Civil Legal Services	$ 534	$ 729
Companies Office	3,218	2,775
Crown Lands and Property Agency	(1,172)	(398)
Fleet Vehicles Agency	17,697	16,029
Food Development Centre	513	306
Green Manitoba Eco Solutions	(50)	(155)
Industrial Technology Centre	422	428
MERLIN	292	(1)
Manitoba Securities Commission	6,098	4,547
Manitoba Text Book Bureau	191	197
Materials Distribution Agency	2,671	2,988
Office of the Fire Commissioner	1,335	854
Organization and Staff Development	778	730
Pineland Forest Nursery	(199)	(102)
The Property Registry	12,761	11,866
The Public Trustee	1,516	1,626
Vital Statistics Agency	1,763	1,434
Financing Authority	11	8
	$48,379	$43,861

13. Reserve funds

a) The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2008 is $500 (2007 - $500).

b) Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The balance of the reserve at March 31, 2008 is $750 (2007 - $750).

13. Reserve funds (continued)

c) Office of the Fire Commissioner

The Office of the Fire Commissioner received approval from Treasury Board in Fiscal 2004/05 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2008, the agency has allocated a total of $200 (2007 - $200) to this fund from its retained earnings account.

The agency has also established a special reserve fund for replacing and training a rescue dog. As at March 31, 2008, the balance of this reserve fund is $33 (2007 - $25).

14. Commitments

Commitments for SOAs with building lease agreements at March 31, 2008 total $12,950 (2007 - $13,858).

Other commitments entered into by SOAs are as follows:

Crown Lands And Property Agency	Equipment lease agreements	$ 33
Food Development Centre	Equipment purchase agreements	212
Green Manitoba Eco Solutions	Office equipment leases	4
Materials Distribution Agency	Printing equipment leases	90
Office of the Fire Commissioner	Vehicle leases	540
The Property Registry	Equipment lease agreements	445
		$ 1,324

Estimated minimum lease payments for each of the next five years are as follows:

2009	$2,758
2010	2,297
2011	2,292
2012	2,256
2013	2,262

15. Prior Period Adjustment

During the year, Food Development Centre discovered that, as a result of an error, a portion of its receivable for Great Plains Aseptic Processors Ltd (GPAP) was not written off. The receivable for GPAP was written off in the prior year. This amount was missed and should have been written off during the last fiscal year. This resulted in a decrease of receivables and retained earnings of $72.

16. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2008 total approximately $192,000 (2007 - $185,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

17. Public sector compensation

No employee of the Financing Authority received compensation of $50.0 or more during the year ended March 31, 2008.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

18. Contingency

The Manitoba Securities Commission has been named as defendant in four statements of claim. At the time of preparation of these financial statements, the outcome of these claims was undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

19. Comparative figures

Comparative figures for the year ended March 31, 2007 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2008.

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Civil Legal Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 14, 2008

CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 571	$ 676
Accounts receivable	652	670
	1,223	1,346
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 4)	379	379
CAPITAL ASSETS (Note 5)	66	47
TRUST ASSET	9	8
	$ 1,677	$ 1,780
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 32	$ 112
Revenue sharing - Province of Manitoba payable	50	-
Vacation payable	469	408
	551	520
SEVERANCE LIABILITY (Note 6)	583	523
TRUST LIABILITY	9	8
	1,143	1,051
EQUITY		
RETAINED EARNINGS	534	729
	$ 1,677	$ 1,780

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Recoveries	$ 5,254	$ 5,199
Interest and other	20	19
	5,274	5,218
EXPENSES		
Advertising and promotion	1	2
Amortization	21	27
Communications	38	36
Computer	56	65
Desktop management initiative	155	151
Equipment rental	4	4
Government records centre	25	23
Law Society fees	47	49
Miscellaneous	5	6
Occupancy	231	232
Office	50	52
Postage and deliveries	13	10
Professional fees and services	40	47
Publications	31	28
Travel	23	24
Wages and benefits	4,529	4,446
	5,269	5,202
NET EARNINGS FOR THE YEAR	5	16
RETAINED EARNINGS, beginning of year	729	913
	734	929
REVENUE SHARING - PROVINCE OF MANITOBA	200	200
RETAINED EARNINGS, end of year	$ 534	$ 729

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the year	$ 5	$ 16
Adjustment for		
Amortization	21	27
	26	43
Changes in the following		
Accounts receivable	18	(462)
Accounts payable and accrued liabilities	(80)	104
Revenue sharing - Province of Manitoba payable	50	-
Vacation payable	61	65
Severance liability	60	55
	135	(195)
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	(200)	(200)
INVESTING ACTIVITY		
Capital asset additions	(40)	(16)
CHANGE IN CASH AND SHORT TERM DEPOSITS	(105)	(411)
CASH AND SHORT TERM DEPOSITS, beginning of year	676	1,087
CASH AND SHORT TERM DEPOSITS, end of year	$ 571	$ 676

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

1. NATURE OF ORGANIZATION

The role of Civil Legal Services (the "Agency") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, the Agency is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Province of Manitoba, the province's agencies, boards and commissions and some Crown organizations.

Effective April 1, 1995, the Agency was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assists the Agency to sustain the provision of high quality legal services to its clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Justice under the general direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba because it derives most of its revenue from the Province and all of its financing requirements through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Capital Assets: Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of completion of the legal services provided.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

(i) Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(ii) Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gain and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

(iii) Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short term deposits, accounts receivable, receivable from Province of Manitoba, accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and short term deposits, accounts receivable, accounts payable and accrued liabilities, revenue sharing - Province of Manitoba payable and vacation payable approximates their carrying values due to their short-term maturity.

The fair value of the receivable from Province of Manitoba is not practical to determine due to their underlying terms and conditions.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of the financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

3. FINANCING ARRANGEMENTS

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $500 of which $nil was used at March 31, 2008.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

4. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2008	2007
Vacation Entitlements	$ 140	$ 140
Severance Pay Benefits	239	239
	$ 379	$ 379

The timing of the collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	2007
Computer Equipment and Software	$ 132	$ 102	$ 30	$ 42
Furniture and Fixtures	239	203	36	5
Leasehold Improvements	53	53	-	-
	$ 424	$ 358	$ 66	$ 47

6. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $583 (2007 - $523). Commencing in the 2006 fiscal year the actuarial loss of $87 is being amortized over the 15 year expected average remaining service life of the employee group.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

7. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $205 (2007 - $205). Under this agreement the Agency has no further pension liability.

8. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2009 are estimated to be $233.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to the Advisory Board members. The following employees or officers received compensation of $50 or more.

EMPLOYEE	TITLE	COMPENSATION 2008	2007
I. Allen	Legal Counsel	$ 119	$ 108
E. Andres	Legal Counsel	117	107
J. Barak	Legal Counsel	110	88
A. Berg	Legal Counsel	125	115
T. Bjornson	Legal Counsel	108	95
S. Boyd	Legal Counsel	84	62
T. Brothers	Legal Counsel	104	85
M. Ducharme	Financial Officer	56	55
J. Frederickson	Legal Counsel	113	94
I. Frost	Legal Counsel	116	105
D. Gisser	Legal Counsel	121	110
D. Guenette	Legal Counsel	115	101
G. Hannon	Legal Counsel	127	115
D. Hill	Legal Counsel	-	72
S. Hoeppner	Legal Counsel	-	105
B. Jones	Legal Counsel	104	86
J. Kapac	Legal Counsel	118	105
A. Ladyka	Legal Counsel	99	83
D. Lofendale	Legal Counsel	116	110
W. McFetridge	Legal Counsel	126	115
M. McGunigal	Legal Counsel	86	91
G. Mildren	Legal Counsel	126	112
S. Pierce	Legal Counsel	121	110
K. Ranson	Legal Counsel	-	85
C. Romeo	Senior Legal Officer	126	121
L. Ross	Legal Counsel	109	96
V. Smith	Legal Counsel	84	71
T. Sterling	Legal Counsel	59	-
A. Stevens	Legal Counsel	-	84
M. Stonyk	Legal Counsel	63	52
N. Trenholm	Legal Counsel	121	110
M. Webb	Legal Counsel	121	110
I. Wiebe	Legal Counsel	99	86
R. Winters	Legal Counsel	121	110
K. Wright	Legal Counsel	64	52

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Companies Office, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 8, 2008

CHARTERED ACCOUNTANTS

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 3,341	$ 2,689
Accounts Receivable (Note 4)	199	364
Prepaid Expenses	23	25
	3,563	3,078
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 5)	218	218
CAPITAL ASSETS (Note 6)	53	69
	$ 3,834	$ 3,365
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued	$ 214	$ 211
Accrued Vacation Entitlements	184	171
	398	382
SEVERANCE PAY LIABILITY (Note 7)	218	208
	616	590
EQUITY		
RETAINED EARNINGS	3,218	2,775
	$ 3,834	$ 3,365

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND RETAINED EARNINGS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2008	2008	2007
REVENUE		
Fees and Services	$ 6,468	$ 6,176
Interest	110	89
	6,578	6,265
EXPENSES		
Salaries and Employee Benefits	1,574	1,523
Operating Expenses (Schedule)	2,544	2,534
Amortization - Capital Assets	17	23
	4,135	4,080
NET EARNINGS FOR THE YEAR	2,443	2,185
RETAINED EARNINGS, Beginning of Year	2,775	2,205
	5,218	4,390
REVENUE SHARE TO PROVINCE OF MANITOBA	2,000	1,615
RETAINED EARNINGS, End of Year	$ 3,218	$ 2,775

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net Earnings for the Year	$ 2,443	$ 2,185
Adjustment for		
Amortization - Capital Assets	27	32
	2,470	2,217
Changes in the following		
Accounts Receivable	165	(210)
Prepaid Expenses	2	(3)
Accounts Payable and Accrued	3	128
Accrued Vacation Entitlements	13	-
Change in Severance Pay Liability	10	(16)
	2,663	2,116
FINANCING ACTIVITY		
Revenue Share to Province of Manitoba	(2,000)	(1,615)
INVESTING ACTIVITY		
Capital Asset Additions	(11)	(23)
CHANGE IN CASH AND SHORT TERM DEPOSITS	652	478
CASH AND SHORT TERM DEPOSITS, Beginning of Year	2,689	2,211
CASH AND SHORT TERM DEPOSITS, End of Year	$ 3,341	$ 2,689

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

1. NATURE OF ORGANIZATION

Effective April 1, 1996, the Lieutenant Governor in Council designated the Companies Office (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council. Another Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency (at that time), to enter into a management agreement with respect to the Agency. The management agreement assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA. SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister, Senior Assistant Deputy Minister and Assistant Deputy Minister who is also Chairperson of the Companies Office Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

(i) Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(ii) Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate and method.

Accounts payable and accrued and accrued vacation entitlements are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short term deposits, accounts receivable, receivable from Province of Manitoba, accounts payable and accrued and accrued vacation entitlements.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and short term deposits, accounts receivable, accounts payable and accrued and accrued vacation entitlements approximates their carrying values due to their short-term maturity.

The fair value of the receivable from Province of Manitoba is not practical to determine due to their underlying terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Office Equipment	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

Revenue Recognition: Revenue is recognized when the service is substantially complete.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862 Financial Instruments - Disclosures and CICA 3863 Financial Instruments - Presentation, which enhance the abilities of users of the financial statements to evaluate the significance of financial instruments to an Agency, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535 Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

3. FINANCING ARRANGEMENTS

Working capital advances and long-term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $100 limit in working capital advances. The Agency did not access working capital advances during the year.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

4. ACCOUNTS RECEIVABLE

	2008	2007
Trade	$ 76	$ 30
Accrued Revenue	123	334
	$ 199	$ 364

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2008	2007
Vacation Entitlements	$ 92	$ 92
Severance Pay Benefits	126	126
	$ 218	$ 218

The timing of the collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

6. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2008	Net Book Value 2007
Computer Equipment and Software	$ 79	$ 58	$ 21	$ 20
Office Equipment	16	16	-	1
Furniture and Fixtures	118	101	17	25
Leasehold Improvements	39	24	15	23
	$ 252	$ 199	$ 53	$ 69

Amortization charges for the year amounted to $27 (2007 - $32) of which $6 (2007 - $6) was expensed in Manitoba Business Links and $4 (2007 - $4) was expensed in Notaries on the schedule of operating expenses.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

7. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $218 (2007 - $208). Commencing in the 2006 fiscal year the actuarial loss of $42 is being amortized over the 15 year expected average remaining service life of the employee group.

8. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions.

The amount paid for 2008 was $76 (2007 - $71). Under this agreement, the Agency has no further pension liability.

9. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2009 are estimated to be $139.

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Accounting	$ 13	$ 14
Audit	6	6
Bad Debts	3	3
Bank Charges	34	23
BSI Cost Allocation	1,218	1,265
Communications	27	29
Computer	106	100
Department Services	32	31
Desktop	73	77
Disaster Recovery	39	37
Equipment Maintenance and Rentals	8	7
Insurance	14	16
Legal Services	6	10
Manitoba Business Links	319	273
Miscellaneous	24	23
Notaries	126	125
NUANS	153	145
Office Rent	125	126
Payroll Processing	20	20
Postal and Courier	43	47
Programmers	85	74
Stationery	61	58
System Enhancements	1	20
Transportation	8	5
	$ 2,544	$ 2,534

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to board members.

The Public Sector Compensation Disclosure Act also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2008	COMPENSATION 2007
Myron Pawlowsky	Chief Operating Officer	$ 90	$ 88
Joan Alty	Manager, Manitoba Business Links	75	73
Shane Lasker	Acting Deputy Director - Legal	71	69
Dave Rudy	Controller	68	66
Linda Kalinski	Deputy Director - Operations	64	61
Doris Van Damme	Clerk	59	-
Yun Shih	Examiner	-	58
Isabelle Aubin	Manager	57	55
Cari Bowley	Systems Analyst	53	-

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Crown Lands and Property Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 2, 2008

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$ 1,289	$ -
Accounts receivable *(Note 3)*	938	775
Work in progress *(Note 2)*	345	412
Prepaid expenses	61	57
	2,633	1,244
CAPITAL ASSETS *(Notes 2, 4)*	205	220
DUE FROM PROVINCE OF MANITOBA *(Note 5)*	670	670
ASSETS HELD IN TRUST	4	4
	$ 3,512	$ 2,138
LIABILITIES		
CURRENT		
Working capital advance *(Note 6)*	$ -	$ 1,517
Accounts payable *(Note 7)*	300	420
Client held funds	4,089	238
	4,389	2,175
SEVERANCE PAY LIABILITY *(Note 8)*	291	357
TRUST FUND LIABILITY	4	4
	4,684	2,536
DEFICIT	(1,172)	(398)
	$ 3,512	$ 2,138

LEASE COMMITMENTS *(Note 11)*

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Loss and Deficit

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE	$ 3,014	$ 3,012
EXPENSES		
Advertising	14	15
Amortization	57	44
Bad debts	56	-
Consulting fees	11	-
Desktop operating lease	133	138
Insurance	2	2
Interest on working capital advance	77	65
Meals and accommodations	11	9
Office	165	148
Computer maintenance costs	148	123
Contributed services	262	66
Professional fees	139	118
Rental	231	234
Salaries and wages	2,354	2,365
Training	17	21
Travel	36	52
Relocation expense	75	-
	3,788	3,400
NET LOSS	(774)	(388)
DEFICIT - BEGINNING OF YEAR *(Note 9)*	(398)	(10)
DEFICIT - END OF YEAR	$ (1,172)	$ (398)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Cash receipts from customers	$ 2,795	$ 1,153
Cash paid to suppliers and employees	(3,655)	(2,332)
Interest paid	(77)	(65)
Cash flow used by operating activities	(937)	(1,244)
INVESTING ACTIVITIES		
Purchase of equipment	(42)	(263)
Increase in client funds held	3,851	-
Cash flow from (used by) investing activities	3,809	(263)
FINANCING ACTIVITIES		
Net deficit on transfer	-	(10)
Severance pay liability payments	(66)	-
Cash flow used by financing activities	(66)	(10)
INCREASE (DECREASE) IN CASH FLOWS	2,806	(1,517)
DEFICIENCY - BEGINNING OF YEAR	(1,517)	-
CASH (DEFICIENCY) - END OF YEAR	$ 1,289	$ (1,517)

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency will have full authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency's mission is to provide quality Crown land information and services to the public and government departments that are open, fair and transparent.

The newly designated Agency consolidates the services previously done by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit, net of working capital payable, are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Receivables are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*
year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

The Agency's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable and accounts payable approximate their carrying values due to their short term maturity.

Work in progress

Land Acquisition Branch- all costs incurred for a project are initially charged to work in progress and matched to billings using the percentage of completion method.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Equipment transferred to the Agency on April 1, 2006 assumed a cost equal to its net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

Revenue Recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in MAFRI and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRI and Manitoba Conservation). The short-term chargeback model provides for the Agency to bill for its costs but not in excess of the approved budgets for MAFRI and Manitoba Conservation. As the Agency costs are expected to exceed MAFRI and Manitoba Conservation's appropriations for the Agency's services, the Agency may not fully recover its costs of delivering the services on behalf of MAFRI and Manitoba Conservation.

3. ACCOUNTS RECEIVABLE

The balance is comprised of the following amounts:

	2008	2007
Trade accounts receivable	$ 994	$ 564
Expense recoveries from other departments	-	23
Revenue share payments	-	188
Allowance for doubtful accounts	(56)	-
	$ 938	$ 775

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	$ 52	$ 14	$ 46	$ 5
Computer equipment	148	54	132	26
Computer software	93	27	73	10
Furniture and fixtures	12	5	12	2
	$ 305	$ 100	$ 263	$ 43
Net book value	$ 205		$ 220	

5. DUE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay, vacation pay and banked time benefits earned by the employees of the four departments referred to in note 1 to March 31, 2006. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

6. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $4,000 of which $nil was used as at March 31, 2008 (2007 - $1,517 was used).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
The balance is comprised of the following amounts:		
Trade accounts payable	$ 40	$ 148
Accrued vacation pay and banked time	255	267
Goods and services tax	5	5
	$ 300	$ 420

8. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Acquisition Branch to March 31, 1998. Accordingly, the related severance pay liability in the amount of $405 is offset in the receivable from the Province of Manitoba.

9. DEFICIT

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Agency. As at April 1, 2006, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $10. This amount was recorded as the deficit at April 1, 2006.

10. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

		2008	2007
Bernat, Leonard	Property Appraiser	$ 56	$ 53
Chadney, Faren	Information Technologist	-	56
Csversko, Raeburn	Senior Manager	-	74
Dureault, Diane	Administration Officer	-	61
Kent, Rodney	Administration Officer	54	53
Krakowka, Larry	Resource Officer	60	57
Kubasiewicz, Michal	Senior Manager	93	-
Le Neal, Normand	Financial Officer	62	60
Lucky, Rob	Property Appraiser	59	58
McLeod, Jerry	Property Appraiser	65	55
Millar, Scott	Property Appraiser	74	72
Pantel, Aurel	Property Appraiser	-	51
Penner, Mary Ann	Property Appraiser	56	55
Pishak, Calvin	Information Technologist	64	61
Sheridan, Bryan	Administration Officer	59	52
Sonley, Judy	Property Appraiser	56	54
Turner, Cynthia	Accounting Clerk	57	-
Wright, Kurt	Property Appraiser	-	72

11. LEASE COMMITMENTS

The Agency's approved 2008/09 Business Plan calls for $244, to be paid in quarterly instalments during 2008/09, for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

The Agency has entered into various leases for vehicles and office equipment. The expected payments are as follows:

2009	$	14
2010		13
2011		3
2012		3

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Fleet Vehicles Agency

We have audited the balance sheet of Fleet Vehicles Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 7, 2008

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Management's Responsibility for Financial Reporting

The Fleet Vehicles Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 7, 2008.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Al Franchuk
Chief Operating Officer

Albert Ogonoski
Manager, Finance

Winnipeg, Manitoba
May 7, 2008

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Receivables *(Note 3)*	$ 3,464	$ 2,726
Inventory *(Note 2)*	206	195
Prepaids	2,111	2,158
	5,781	5,079
CAPITAL ASSETS *(Notes 2, 4)*	48,233	49,425
SEVERANCE PAY BENEFITS RECEIVABLE *(Note 5)*	270	270
	$ 54,284	$ 54,774
LIABILITIES AND EQUITY		
CURRENT		
Working capital payable, net of cash *(Note 6)*	$ 3,571	$ 3,507
Accounts payable and accrued liabilities	3,252	2,509
Unearned revenue	1,455	1,698
Current portion of long term debt *(Note 7)*	7,113	6,974
	15,391	14,688
LONG TERM DEBT *(Note 7)*	16,450	19,334
SEVERANCE PAY LIABILITY *(Note 5)*	462	439
	32,303	34,461
EQUITY		
Contributed equity *(Note 8)*	4,284	4,284
Retained earnings	17,697	16,029
	21,981	20,313
	$ 54,284	$ 54,774

COMMITMENTS *(Note 9)*

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE		
Vehicle and equipment leases	$ 34,368	$ 32,240
Gain on disposal of vehicles and equipment, net	599	541
Interest income	61	39
Other revenue *(Page 15)*	4,950	4,325
	39,978	37,145
EXPENSES		
Salaries and wages	2,978	2,809
Vehicle and equipment operating expenses *(Page 15)*	30,919	28,346
Administrative expenses *(Page 15)*	1,697	1,698
Community service	42	45
Interest expense	1,174	1,177
	36,810	34,075
NET EARNINGS	3,168	3,070
RETAINED EARNINGS - BEGINNING OF YEAR	16,029	14,459
	19,197	17,529
REVENUE SHARING TO THE CONSOLIDATED FUND	(1,500)	(1,500)
RETAINED EARNINGS - END OF YEAR	$ 17,697	$ 16,029

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Net earnings	$ 3,168	$ 3,070
Items not affecting cash:		
Amortization	10,237	10,135
Gain on disposal of vehicles and equipment, net	(599)	(541)
Increase in severance pay liability	42	42
Payment of severance pay benefits	(19)	(54)
	12,829	12,652
Changes in non-cash working capital:		
Receivables	(738)	583
Inventory	(11)	10
Prepaids	47	(158)
Accounts payable and accrued liabilities	743	(130)
Unearned revenue	(243)	222
Revenue sharing to the Consolidated Fund	-	(375)
	(202)	152
Cash flow from operating activities	12,627	12,804
INVESTING ACTIVITIES		
Proceeds on disposal of vehicles and equipment	2,303	2,115
Acquisition of vehicles and equipment for lease	(10,591)	(13,689)
Acquisition of equipment for operations	(158)	(94)
Acquisition of leasehold improvements	-	(4)
Cash flow used by investing activities	(8,446)	(11,672)
FINANCING ACTIVITIES		
Proceeds from Loan Act Authority drawdowns	4,340	7,060
Repayment of long term debt	(7,085)	(6,548)
Revenue sharing to the Consolidated Fund	(1,500)	(1,500)
Cash flow used by financing activities	(4,245)	(988)
INCREASE (DECREASE) IN CASH FLOW	(64)	144
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(3,507)	(3,651)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - END OF YEAR	$ (3,571)	$ (3,507)

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2008

1. DESCRIPTION OF OPERATIONS

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the then Department of Transportation and Government Services was transferred to the Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of the Department of Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister, the Deputy Minister, and the Minister, of Infrastructure and Transportation.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit, net of working capital payable, are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Receivables are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

The Agency's financial instruments consist of working capital payable (net of cash), receivables, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to their short term maturity.

The fair value of the long term debt from the Province of Manitoba is not practical to determine due to the debt's underlying terms and conditions.

Cash and equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventory

Inventories are valued at the lower of cost and market value. Cost is determined on a weighted average basis.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%	declining balance method
Vehicles and equipment (signed lease agreement)		straight-line over term of lease
Office and shop equipment	20%	declining balance method
Computer software and equipment	20%	straight-line method
Leasehold improvements	10%	straight-line method

Pension benefits

Employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for the year ended March 31, 2008, was $115 (2007: $126). Under this agreement, the Agency has no further pension liability.

Revenue recognition

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed.

3. RECEIVABLES

	2008	2007
Trade	$ 1,842	$ 1,099
Accrued trade	1,167	1,161
Insurance rebate receivable	455	466
	$ 3,464	$ 2,726

4. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Vehicles and equipment for lease	$ 90,631	$ 42,897	$ 90,417	$ 41,479
Office and shop equipment	1,414	1,095	1,341	1,082
Leasehold improvements	707	527	707	479
	$ 92,752	$ 44,519	$ 92,465	$ 43,040
Net book value	$ 48,233		$ 49,425	

5. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. That responsibility is currently reflected by a $194 receivable from the Province for the employees at the Agency as of March 31, 1998, together with a $76 receivable from the Province for the employees at Radio Services as of March 31, 2003, who are also now with the Agency.

The receivable from the Province will only be collected, in whole or in part, in the event there is a cash shortfall in the Agency. It is probable, therefore, that collection will only occur on the dissolution of the Agency.

An actuarial valuation report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Agency's actuarially determined net liability for accounting purposes as of March 31, 2008, was $462 (2007: $439).

6. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $4,000, $3,683 of which was used as of March 31, 2008 (2007: $3,550).

7. LONG TERM DEBT

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Fleet Vehicles Agency.

Loan Act Authority long term debt is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity date	2008	2007
4.25%	179	September 30, 2007	$ -	$ 176
4.75%	397	March 31, 2008	-	767
6.425%	146	March 31, 2009	278	540
3.625%	149	March 31, 2009	291	571
3.5%	259	March 31, 2009	504	991
5.25%	159	September 30, 2009	454	738
5.625%	134	September 30, 2009	381	618
4.125%	56	September 30, 2009	161	263
4%	167	March 31, 2010	636	935
4.375%	438	March 31, 2010	1,662	2,440
5.125%	123	September 30, 2010	568	776
4.75%	227	March 31, 2011	1,256	1,637
4.75%	451	March 31, 2011	2,494	3,250
4.875%	137	September 30, 2011	870	1,093
4.75%	102	September 30, 2011	652	819
4.625%	475	March 31, 2012	3,435	4,200
4.75%	137	September 30, 2012	1,095	1,308
5%	142	September 30, 2012	1,129	-
4%	345	March 31, 2013	3,100	-
4.05%	140	September 30, 2013	1,370	1,589
4.875%	148	March 31, 2015	1,732	1,935
4.125%	117	September 30, 2015	1,495	1,662
Total principal owing as of March 31			**23,563**	26,308
Amount due within one year			**(7,113)**	(6,974)
			$ 16,450	$ 19,334

(continues)

7. LONG TERM DEBT *(continued)*

Unused loan authority of $1,240 was available as of March 31, 2007. An additional $8,000 of loan authority availability was approved during October 2007 in The Loan Act, 2007. Of the $9,240 in available loan authority, $4,340 was drawn down at various times during the 2007/08 year, leaving $4,900 of loan authority availability as of March 31, 2008.

As of March 31, 2008, principal repayments in each of the next five years are as follows:

2009	$ 7,113
2010	5,972
2011	4,544
2012	3,019
2013	1,672

8. CONTRIBUTED EQUITY

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

The Agency's contributed equity was increased by $166 as of April 1, 2003, with the transfer of the net assets of Radio Services to the Agency.

9. COMMITMENTS

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2008/09 are established annually based on the approved budget for the Department of Infrastructure and Transportation. Occupancy charges for 2008/09 are estimated at $440 for the year, to be paid in quarterly instalments during 2008/09.

(b) The Agency's approved 2008/09 Business Plan calls for $1,500 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2008/09.

10. REQUIREMENTS OF THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31:

		2008	2007
Reginald Batenchuk	Automotive Equipment Mechanic	$ 52	$ -
Kathryn Bernhardt	Manager, Support Services	60	58
Neil Bogen	Automotive Equipment Mechanic	52	-
Derek Boutang	Systems Analyst	-	88
Andy Chartrand	Environment and Program Analyst	58	53
Donald Chesney	Manager, Fleet	72	70
Dennis Ducharme	Chief Operating Officer	-	125
Al Franchuk	Chief Operating Officer	81	-
Janessa Friedrich	Programmer Analyst	51	-
Grant Fraser	Mechanical Shop Supervisor	62	55
Barbara Funk	Payables Supervisor	-	68
Richard Heck	Systems Analyst	64	61
Jordan Janisse	Systems Supervisor	-	78
Kevin Kilbrei	Manager, Marketing	68	60
David Kroeker	Systems Supervisor	77	65
Vladimair Lachowsky	Radio Services Technician	54	55
Keith Leganchuk	Radio Services Technician	60	55
Robert Nolin	Body Shop Supervisor	56	52
Albert Ogonoski	Manager, Finance	69	67
Grant Recknell	Radio Services Supervisor	58	59
William Reynolds	Manager, Strategic Planning	68	66
Sean Savage	Automotive Equipment Mechanic	52	-
Guy Sinclair	Manager, Operations	85	82

11. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants.

12. SUBSEQUENT EVENT

On May 12, 2008, it was announced that it is the intention to amalgamate the Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation into a new Special Operating Agency as of April 1, 2009.

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2008

	2008	2007
Other revenue		
Autopac service	$ 631	$ 518
Garage regular service	538	607
Insurance premium rebates	993	959
Other, including fuel billings for managed vehicles that are not owned	1,069	798
Radio Services	1,719	1,443
	$ 4,950	$ 4,325
Vehicle and equipment operating expenses		
Amortization	$ 10,102	$ 9,962
Fuel	11,189	9,608
Insurance premiums	3,955	3,792
Licenses	132	132
Repairs and maintenance	5,541	4,852
	$ 30,919	$ 28,346
Administrative expenses		
Amortization	$ 135	$ 173
Fleet management information system	181	174
Human resource overhead	604	588
Occupancy costs	480	492
Other costs	160	148
Professional fees	16	22
SOAFA charges	4	3
Supplies and materials	70	50
Telephone and communication	47	48
	$ 1,697	$ 1,698

E X G

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 7, 2008

FOOD DEVELOPMENT CENTRE

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007 *(Restated)*
ASSETS		
CURRENT		
Cash and short-term deposits	$ 1,619	$ 337
Accounts receivable *(Note 3)*	398	599
Due from Province of Manitoba	-	269
Due from Agricultural Research and Development Initiative	-	525
Prepaid expenses and deposits	60	59
Due from Food Safety Initiative	19	34
Deposit on equipment	554	-
	2,650	1,823
PROPERTY AND EQUIPMENT *(Notes 2, 4)*	9,531	8,626
DEPOSIT IN JOINT VENTURE *(Note 5)*	-	200
SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA *(Notes 6, 11)*	41	41
	$ 12,222	$ 10,690
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 8)*	$ 798	$ 666
Accrued vacation pay *(Note 9)*	87	101
Unearned revenue	102	75
Due to Functional Food Cluster	24	3
Current portion of long term debt *(Note 10)*	18	18
	1,029	863
LONG TERM DEBT *(Note 10)*	159	177
SEVERANCE LIABILITY *(Note 11)*	99	88
DEFERRED CONTRIBUTIONS *(Note 12)*	10,422	9,256
	11,709	10,384
RETAINED EARNINGS	513	306
	$ 12,222	$ 10,690

COMMITMENT *(Note 17)*

FOOD DEVELOPMENT CENTRE

Statement of Income

(In Thousands)

Year Ended March 31, 2008

	2008	2007 *(Restated)*
REVENUE		
Grants - Province of Manitoba	$ 2,234	$ 2,311
Fee for service	878	615
Lease income	70	309
Interest and other income	125	80
Amortization of deferred capital contributions *(Note 12)*	668	590
	3,975	3,905
DIRECT OPERATING EXPENSES		
Salaries and benefits	1,409	1,301
Lab supplies	134	98
Purchases services	264	221
Travel	51	47
Postage, courier and telephone	36	51
Printing and stationery	16	14
Marketing	24	27
Library	23	20
Satellite office	-	4
	1,957	1,783
GROSS PROFIT	2,018	2,122
ADMINISTRATIVE EXPENSES *(Schedule 1)*	1,811	1,805
NET INCOME	$ 207	$ 317

FOOD DEVELOPMENT CENTRE

Statement of Retained Earnings

Year Ended March 31, 2008

	2008	2007 *(Restated)*
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR		
As previously reported	$ 378	$ (11)
Error in write off of GPAP bad debt *(Note 18)*	(72)	-
As restated	306	(11)
NET INCOME FOR THE YEAR	207	317
RETAINED EARNINGS - END OF YEAR	$ 513	$ 306

FOOD DEVELOPMENT CENTRE

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007 (Restated)
OPERATING ACTIVITIES		
Cash receipts from customers	$ 1,525	$ 1,144
Cash receipts from grants	2,234	2,311
Cash received from Agricultural Research and Development Initiative	525	(525)
Cash paid to suppliers and employees	(2,840)	(2,253)
Interest paid	(109)	(121)
Interest received	45	11
Cash flow from operating activities	1,380	567
INVESTING ACTIVITIES		
Purchase of equipment	(1,596)	(698)
Deposit on equipment	(554)	-
Deposit in joint venture	200	-
Cash flow used by investing activities	(1,950)	(698)
FINANCING ACTIVITIES		
Due from Food Safety Initiative	15	(34)
Due to Functional Food Cluster	21	3
Deferred capital contributions	1,834	571
Repayment of long term debt	(18)	(18)
Cash flow from financing activities	1,852	522
INCREASE IN CASH FLOWS	1,282	391
CASH (DEFICIENCY) - BEGINNING OF YEAR	337	(54)
CASH - END OF YEAR	$ 1,619	$ 337

1. NATURE OF ORGANIZATION

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services in the food, feed and beverage industries. The Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Centre operations. It finances the Centre through repayable loans and working capital advances. The financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Agency at that time, assigns responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Initiatives under the general direction of a General Manager and a Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Centre remains bound by relevant legislation and regulations.

The Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property and equipment and goodwill. Actual results could differ from these estimates.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Policies

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Centre has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Centre's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Centre has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Centre is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Centre has designated its financial instruments as follows:

Cash and short-term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative and due from Food Safety Initiative are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Policies, continued

Accounts payable and accrued liabilities, accrued vacation payable, due to Functional Food Cluster and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Centre's financial statements for the year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Centre's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Centre will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Centre does not expect that the adoption of this new Section will have a material impact on its financial statements.

Revenue Recognition

Fee for service revenue is recognized on the percentage of completion basis and when collection is reasonably assured.

Lease income is recognized as revenue according to the terms of the lease.

All grants received have been recognized as income in the current year.

Funds received from the Province of Manitoba and the Government of Canada for the construction of the new building and purchase of equipment have been treated as deferred capital contributions and will be taken into income to match the amortization of the building and equipment.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Equipment assumed as part of the conversion to a Special Operating Agency, April 1, 1996 is stated at its estimated fair value as determined by the Province of Manitoba. Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Building improvements	15 years	straight-line method
Equipment - commercial and product development	15 years	straight-line method
Equipment - office	20%	declining balance method
Computer hardware and software	5 years	straight-line method

The Centre regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as deferred capital contribution and are amortized based on method used for the related asset.

Other Assets

Research and development costs are expended as incurred.

Unearned revenue

Unearned revenue represents cash received for projects that were started but not completed by year end.

Financial instruments

The Centre's financial instruments consist of cash and short term deposits, accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative, due from Food Safety Initiative, accounts payable and accrued liabilities, accrued vacation payable, due to Functional Food Cluster, and long-term debt.

The fair value of cash and short term deposits, accounts receivable, due from Province of Manitoba, due from Agricultural Research and Development Initiative, due from Food Safety Initiative, accounts payable and accrued liabilities, accrued vacation payable and due to Functional Food Cluster approximate their carrying values due to their short-term maturity.

The fair value of the long-term debt from the Province of Manitoba is not practical to determine due to the underlying terms and conditions.

Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

3. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2008	2007
Trade accounts receivable	$ 498	$ 1,903
Allowance for doubtful accounts	(100)	(1,304)
	$ 398	$ 599

4. PROPERTY AND EQUIPMENT

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment - commercial and product development	$ 5,045	$ 837	$ 3,414	$ 604
Computer hardware and software	96	84	89	75
Equipment - office	369	317	369	304
Building improvements	6,547	1,288	6,591	854
	$ 12,057	$ 2,526	$ 10,463	$ 1,837
Net book value	$ 9,531		$ 8,626	

The Centre has received $72 from the insurance company for replacing the hot water lines that had failed in October 2005. The proceeds has been applied against the building improvements.

5. DEPOSIT IN JOINT VENTURE

The Centre contributed $200 towards the purchase of a piece of equipment for Great Plains Aseptic Processors Ltd (GPAP).

GPAP has committed to obtaining the release of any secured interests and transferring ownership of the piece of equipment, mentioned above, to the Centre. During the year, the bank released the secured interest of the equipment. At March 31, 2007, the accounts receivable for GPAP had been reduced to $323 to reflect the book value of the equipment that has yet to be transferred. During the year, the $200 deposit and the $323 in accounts receivable has been transferred to plant and equipment to represent the change in ownership of the equipment.

6. SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay benefits earned by the employees of the Centre to March 31, 1998. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Centre.

7. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital from the Province of Manitoba of $1,000 of which SNIL was used as at March 31, 2008 (2007 - SNIL was used).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade	$ 649	$ 514
Interest	128	139
Sales tax	21	13
	$ 798	$ 666

9. ACCRUED VACATION PAY

The employees of the Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

10. LONG TERM DEBT

	2008	2007
Province of Manitoba loan bearing interest at 5.80% per annum, with annual principal payments of $18 plus interest. The loan matures on April 30, 2017.	$ 177	$ 195
Amounts payable within one year	(18)	(18)
	$ 159	$ 177

Principal repayment terms are approximately:

2009	$ 18
2010	18
2011	18
2012	18
2013	18

11. SEVERANCE LIABILITY

Effective April 1, 1998, the Centre commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of twenty three years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. That responsibility is reflected by a $41 receivable from the Province of Manitoba.

An actuarial report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Centre's actuarially determined net liability for accounting purposes as at March 31, 2008 was $99 (2007 - $88). Commencing in the 2006 fiscal year the actuarial gain of $14 is being amortized over the 15 year expected average remaining service life of the employee group.

12. DEFERRED CAPITAL CONTRIBUTIONS

	2008	2007
Balance, beginning of year	$ 9,256	$ 9,275
Add: Contributions received		
Province of Manitoba	-	71
Government of Canada	1,834	500
Less: Amount amortized as revenue	(668)	(590)
Balance, end of year	$ 10,422	$ 9,256

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of equipment and improvements of a building. The amortization of contributions is recorded as revenue in the statement of income.

In 2004, the Centre received a loan from the Province of Manitoba for $2,625 bearing interest at 5.63% per annum, with annual payments of $175 plus interest. The loan matures on May 18, 2019. The loan is to be repaid through future appropriations from the Province of Manitoba and therefore has been treated as a grant and included in deferred capital contributions to be consistent with the accounting presentation adopted by the Province of Manitoba.

As the future principal and interest payments will be funded by the Province of Manitoba, the annual principal repayment will be netted against the grant revenue received and the interest payment will be reflected as interest expense.

The deferred capital contributions will be brought into income at the same rate as the corresponding equipment and building improvements are being amortized.

13. DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

14. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expensed by the Centre in the current year was $85 (2007 - $70).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

15. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

Utioh, Alphonsus	Process and Product Development Manager	$ 90
Appah, Paulyn	Process Development Consultant	58
Lalla, Mike	Manager, Support Services	84
Qi, Jiacheng	Process Development Engineer	52
Gherasim, Gord	Supervisor, Pilot Plant	53
Nivet, Meeling	Product Development Group Leader	68
Schultz, Nona	HACCP/Regulatory Affairs Coordinator	58
Henuset, Alana	Information Officer	53
Wang, Haihong	Product Development Consultant	54
Plamnich, Javier	Manager, Pilot Plant and Commercial Activities	77

16. RELATED PARTY TRANSACTIONS

The following is a summary of the Centre's related party transactions:

	2008	2007
Province of Manitoba		
(Special Operating Agency of the Province of Manitoba)		
Receivable from the Province of Manitoba	$ -	$ 269
Grants received	2,234	2,311
Capital contribution received	-	71
Property taxes paid	149	147
Occupancy costs paid	656	556

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. COMMITMENT

The Centre is obligated to make payments to the Workers Compensation Board for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

The Centre has committed to purchase pieces of equipment for a total of $212.

18. PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that, as a result of an error, a portion of the receivable for Great Plains Aseptic Processors Ltd (GPAP) was not written off. The receivable for GPAP was written off in the prior year. This amount was missed and should have been written off during the last fiscal year. This resulted in a decrease of receivables and retained earnings of $72.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

FOOD DEVELOPMENT CENTRE

Administrative expenses *(Schedule 1)*

Year Ended March 31, 2008

	2008	2007 *(Restated)*
Accreditation and licensing fees	$ 10	$ 6
Amortization	690	641
Bad debts	-	339
Computer expenses	86	64
Equipment rentals	120	76
Insurance	80	52
Interest on long term debt	111	122
Memberships	6	6
Occupancy expenses	656	556
Professional fees	33	53
Property taxes	149	147
Repairs and maintenance	58	65
Research and development	8	3
Staff relocation	8	34
Training	22	10
Expense recoveries	(226)	(369)
	$ 1,811	$ 1,805

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agency Financing Authority

We have audited the balance sheet of Green Manitoba Eco Solutions, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2008 and the statements of income (loss) and deficit and cash flows for the year then ended. These financial statements are the responsibility of Green Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Green Manitoba as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 28, 2008

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Management's Responsibility for Financial Reporting

Green Manitoba Eco Solutions (Green Manitoba) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of Green Manitoba's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 28, 2008.

Management maintains internal controls to properly safeguard Green Manitoba's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

Green Manitoba's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of Green Manitoba are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of Green Manitoba's management.

_____

Doug Smith
Director

Winnipeg, Manitoba
June 5, 2008

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash	$ 109	$ -
Accounts receivable *(Note 4)*	195	17
Prepaid expenses	1	1
	305	18
CAPITAL ASSETS *(Notes 2, 3)*	9	7
	$ 314	$ 25
LIABILITIES		
CURRENT		
Working capital payable *(Note 5)*	$ -	$ 55
Accounts payable and accrued liabilities	101	16
Deferred revenue *(Note 2)*	252	99
	353	170
SEVERANCE LIABILITY *(Note 6)*	2	1
	355	171
EQUITY		
Contributed surplus *(Note 7)*	9	9
Deficit	(50)	(155)
	(41)	(146)
	$ 314	$ 25

COMMITMENTS *(Note 8)*

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Income (Loss) and Deficit

(In Thousands)

Year Ended March 31, 2008

	2008	2007
REVENUE		
Science, Technology, Energy and Mines Grant (STEM)	$ 1,881	$ 1,160
Other government revenue	532	261
Non-government revenue	103	147
	2,516	1,568
EXPENSES		
Advertising and promotion	19	4
Amortization	3	2
Computer expenses	27	28
Contracted services	153	86
Office	31	41
Other expenses	-	34
Professional fees	6	8
Program supplies and services	1,364	880
Rent	114	117
Salaries and wages	652	515
Severance expense	2	1
Training	-	-
Travel	33	-
	2,411	1,725
NET INCOME (LOSS)	105	(155)
DEFICIT - BEGINNING OF YEAR	(155)	-
DEFICIT - END OF YEAR	$ (50)	$ (155)

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Net income (loss)	$ 105	$ (155)
Item not affecting cash:		
Amortization of capital assets	3	2
	108	(153)
Changes in non-cash working capital:		
Accounts receivable	(178)	(17)
Accounts payable and accrued liabilities	84	15
Deferred revenue	153	99
Severance liability	1	1
	60	98
Cash flow from (used by) operating activities	168	(55)
INVESTING ACTIVITY		
Purchase of equipment	(4)	-
Cash flow used by investing activity	(4)	-
INCREASE (DECREASE) IN CASH FLOWS	164	(55)
WORKING CAPITAL PAYABLE - BEGINNING OF YEAR	(55)	
CASH (WORKING CAPITAL PAYABLE) - END OF YEAR	$ 109	$ (55)

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2008

---

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Green Manitoba Eco Solutions ("Green Manitoba") was designated as a Special Operating Agency pursuant to the Special Operating Agencies Financing Authority act (C.C.S.M. c.S185). Green Manitoba operates under a charter approved by the Lieutenant Governor in Council.

Green Manitoba is committed to connecting environmental quality and economic vitality through efficient resource utilization. Green Manitoba promotes the implementation of community practices that conserve water, reduce demand for energy, and effectively manage and minimize waste.

Green Manitoba is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Green Manitoba's operations. It finances Green Manitoba through repayable loans and working capital advances. The financial framework enables Green Manitoba to operate in a business-like manner according to public policy expectations. A management agreement between the Financing authority and the Minister of Science, Technology, Energy and Mines assigns responsibility to Green Manitoba to manage and account for agency-related assets and operations on behalf of the Financing Authority.

Green Manitoba is part of the Department of Science, Technology, Energy and Mines and operates under policy direction of the Deputy Minister. Green Manitoba remains bound by relevant legislation and regulations, as well as by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Green Manitoba is economically dependent on the Province of Manitoba, as it derives a significant portion of its revenue from the province. The transactions with the Province of Manitoba are recorded at the exchange amount which is the amount agreed upon by both parties.

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of Green Manitoba have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New accounting policies

Effective April 1, 2007 Green Manitoba adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when an entity has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on Green Manitoba's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. Green Manitoba has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Section 3855, Financial Instruments – Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

Green Manitoba is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

Green Manitoba has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of this financial asset, the carrying values approximate its fair values.

Accounts receivable is classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on Green Manitoba's financial statements for the year ended March 31, 2008.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation
The CICA has issued two new standards, CICA 3362: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These changes in accounting policies, which will be adopted effective April 1, 2008, will require additional disclosures in the financial statements.

Section 1535, Capital Disclosures
The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate Green Manitoba's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will require additional disclosure in the financial statements.

Section 3031, Inventories
In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, Green Manitoba will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. Green Manitoba does not expect that the adoption of this new Section will have a material impact on its financial statements.

Financial instruments

Green Manitoba's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Green Manitoba is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term maturity.

Cash and equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets

Capital assets transferred to Green Manitoba on April 1, 2006 assumed a cost equal to their net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized straight-line over a period of 5 years. Green Manitoba regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital asset cost.

Deferred revenue

Deferred revenue represents cash received for projects that were started but not completed by year end.

Revenue recognition

Grants are recognized as income in the year in which they are received. Special program funding is taken into income to match the program expenditures. Any remaining program funding is deferred.

3. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 4	$ 1	$ -	$ -
Furniture and fixtures	9	3	9	2
	$ 13	$ 4	$ 9	$ 2
Net book value	$ 9		$ 7	

4. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2008	2007
School waste program	$ -	$ 5
Green building program	-	12
Education - Gimli water project	8	-
Eco-trust funds	112	-
UDI - West Broadway Low Income	75	-
	$ 195	$ 17

5. WORKING CAPITAL PAYABLE

Green Manitoba has an authorized line of working capital from the Province of Manitoba of $500 of which $Nil was used at March 31, 2008 (2007 - $55).

6. SEVERANCE LIABILITY

Effective April 1, 2006, Green Manitoba commenced recording accumulated severance pay benefits for its employees.

The amount of severance pay obligations is normally based on actuarial calculations. Green Manitoba has not had an actuary report completed as they are a new Special Operating Agency, therefore an extrapolation of other SOA's was used for Green Manitoba. The periodic valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

The estimated severance pay liability as of March 31, 2008 is $2 (2007 - $1).

7. CONTRIBUTED SURPLUS

Green Manitoba and the Department of Energy, Science and Technology entered into a Transfer Agreement to transfer existing assets used in Green Manitoba Eco Solutions program of the Department of Energy, Science and Technology. They consist primarily of equipment, furniture and other items having an estimated value of $9. Green Manitoba has capitalized these assets with a corresponding increase in contributed surplus.

8. COMMITMENTS

Green Manitoba entered into a three year lease with Toshiba of Canada for printing and copying equipment. The lease is being paid monthly until June 30, 2009. Green Manitoba entered into a second lease with Toshiba of Canada for a fax machine. This lease is being paid monthly until January 31, 2009.

Future lease payments are approximately as follows:

2009	$ 3
2010	1
	$ 4

9. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of Green Manitoba are eligible for pension benefits under the Civil Service Superannuation Fund. The pension plan is a defined benefit plan, which requires Green Manitoba to contribute an amount equal to the employee's contribution to the fund for current services. The amount accrued by Green Manitoba in the current year is $25 (2007 - $8).

Green Manitoba has no further liability associated with the annual cost of pension benefits earned by Green Manitoba's employees.

10. PUBLIC SECTOR COMPENSATION DISCLOSURE

		2008	2007
Eckstein, Brett	Program lead	$ 65	$ -
Ferguson, Jim	Program lead	68	-
Jonasson, John	Program lead	77	-
McKenzie, Shane	Program analyst	52	-
Shymko, Randall	Program lead	55	-

It is a requirement of the Public Sector Compensation Disclosure Act that annual disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The above employees received compensation in excess of $50.

In 2007 Green Manitoba was not the employer of record for any employees receiving compensation in excess of $50. Where compensation in excess of $50 was paid, employee names and the amounts paid have been disclosed in the records of affected departments.

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **INDUSTRIAL TECHNOLOGY CENTRE** as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2008

BDO *Dunwoody LLP is a Limited Liability Partnership registered in Ontario*
BDO *Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario*

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
As at March 31, 2008
(in thousands)

	2008	2007
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	$ 176	$ 41
Accounts receivable	458	327
Due from Province of Manitoba (Note 4)	103	-
Prepaid expenses	16	20
	753	388
Due from Province of Manitoba (Note 4)	-	103
Capital assets (Notes 2 and 5)	633	660
	$ 1,386	$ 1,151
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 637	$ 443
Deferred revenue	36	5
	673	448
Severance liability (Note 6)	229	213
	902	661
Equity		
Contributed Equity (Note 7)	62	62
Retained Earnings	422	428
	484	490
	$ 1,386	$ 1,151

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

Statement of Earnings and Retained Earnings

For the year ended March 31, 2008

(in thousands)	2008	2007
Revenue		
Province of Manitoba	$ 750	$ 750
Fee for service	1,656	1,469
Other	134	141
	2,540	2,360
Operating expenses		
Advertising and promotion	68	65
Amortization	131	170
Audit and legal	8	7
Bad debts	-	1
Building maintenance	48	39
Computer	44	44
Equipment	59	69
Fees and memberships	24	30
Insurance	40	42
Library operations	12	32
Office	48	49
Professional development	20	39
Project supplies and subcontract	125	56
Purchased services	4	4
Rent and property tax	310	296
Salaries and benefits	1,516	1,473
Travel	36	29
Utilities	53	51
	2,546	2,496
Net earnings (loss)	(6)	(136)
Retained earnings at beginning of period	428	564
Retained earnings at end of period	$ 422	$ 428

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flow
For the year ended March 31, 2008
(in thousands)

	2008	2007
Cash derived from (applied to):		
Operating activities		
Net earnings (loss)	($ 6)	($ 136)
Items not involving cash		
Amortization	131	170
	125	34
Changes in non-cash working capital balances		
Accounts receivable	(131)	(129)
Prepaid expenses	4	21
Accounts payable and accrued liabilities	194	192
Deferred revenue	31	1
Severance liability	16	15
	239	134
Investing activities		
Acquisition of capital assets	(104)	(93)
Net increase (decrease) in cash and cash equivalents	135	41
Cash and cash equivalents at beginning of period	41	-
Cash and cash equivalents at end of period	$ 176	$ 41
Represented by:		
Cash and bank	$ 21	$ 23
Funds on deposit with the Minister of Finance	155	18
	$ 176	$ 41
Interest revenue included in cash flow from operating activities	$ 7	$ 5

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements
For the year ended March 31, 2008
(In Thousands)

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Significant Accounting Policies

Basis of Reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

New Accounting Policies

Effective April 1, 2007 the Industrial Technology Centre adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Industrial Technology Centre's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Industrial Technology Centre has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Industrial Technology Centre has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Industrial Technology Centre has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and long term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Industrial Technology Centre s financial statements for the year ended March 31, 2008.

Capital Assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	10%, straight-line

Government Assistance

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Financial Instruments

The Industrial Technology Centre's financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Revenue Recognition

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

3. **Working Capital Advance**

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2008 working capital advances were nil (2007 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

4. **Due from Province of Manitoba**

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the severance pay liability. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

5. Capital Assets

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	$ 10	$ 6	$ 10	$ 4
Office and laboratory equipment	1,043	713	955	651
Computer equipment and software	664	521	657	473
Leasehold improvements	200	44	191	25
	$ 1,917	**$ 1,284**	**$ 1,813**	**$ 1,153**
Net book value	**$ 633**		**$ 660**	

The Agency has entered into an agreement with the Vehicle Technology Centre (VTC) whereby the purchase of capital assets with a value of $291 would be paid for by VTC, with no specified repayment terms. The assistance to be received is currently in Accounts Receivable and offset against the asset value.

6. Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Industrial Technology Centre's actuarially determined net liability for accounting purposes as at March 31, 2008 was $229 (2007 - $213). Commencing in the 2006 fiscal year the actuarial gain of $76 is being amortized over the 15 year expected average remaining service life of the employee group.

7. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

8. Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires lease payments as follows:

	ITC	CIC	Total
FY 2008/09	$184	$49	$233
FY 2009/10 - FY 2014/15 (per year)	189	51	240
FY 2015/16 (7 months)	110	30	140

9. Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2008 is $75 (2007 - $71).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

10. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

11. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, comprehensive income and retained earnings (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2008

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Balance Sheet

(In Thousands)

March 31	2008	2007
Assets		
Current Assets		
Cash and funds on deposit	$ 604	$ 636
Accounts receivable	217	220
Receivable from the Province of Manitoba (Note 2)	47	-
Prepaid expense	274	372
	1,142	1,228
Receivable from the Province of Manitoba (Note 2)	-	47
Capital assets (Note 3)	467	204
	$ 1,609	$ 1,479
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 214	$ 261
Unearned revenue	1,028	463
	1,242	724
Cyberschools (Note 6)	-	665
Severance pay liability (Note 7)	75	91
	1,317	1,480
Commitments (Note 9)		
Retained earnings (deficit) (Page 4)	292	(1)
	$ 1,609	$ 1,479

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Statement of Income, Comprehensive Income and Retained Earnings (Deficit)

(In Thousands)

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	$ 446	$ 446
Fee for goods and services	2,873	2,527
Other	27	45
Cyberschools	133	121
	3,479	3,139
Expenses		
Advertising and promotion	27	24
Amortization	93	63
Audit and legal fees	10	8
Communication	189	238
Conferences	13	25
Cost of purchases for resale	1,445	1,232
Cyberschools		
Salaries and benefits	61	59
Other expenses	72	62
Equipment repair and maintenance	113	94
Occupancy	61	54
Office and miscellaneous	36	28
Professional development	44	13
Purchased services	8	-
Salaries and benefits	969	895
Travel	45	30
	3,186	2,825
Net income and comprehensive income for the year	293	314
Deficit, beginning of year	(1)	(315)
Retained earnings (deficit), end of year (Page 3)	$ 292	$ (1)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 293	$ 314
Adjustment for		
Amortization	93	63
	386	377
Changes in non-cash working capital		
Accounts receivable	3	(101)
Prepaid expenses	98	(308)
Accounts payable	(47)	10
Unearned revenue	33	383
	87	(16)
Severance liability	(16)	9
	457	370
Cash Flows from Investing Activities		
Capital assets	(356)	(186)
Cash Flows from Financing Activities		
Cyberschools	(133)	(121)
Net increase (decrease) in cash and cash equivalents	(32)	63
Cash and cash equivalents, beginning of year	636	573
Cash and cash equivalents, end of year	$ 604	$ 636

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Summary of Significant Accounting Policies

March 31, 2008

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equal to net income.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

New Accounting Policies (continued)

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued expenses are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and funds on deposit, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses.

Unless otherwise noted, it is management's opinion that the agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued expenses approximate their carrying values due to their short-term maturity.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Summary of Significant Accounting Policies

March 31, 2008

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation entitlement earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1995 and for severance pay benefits earned prior to April 1, 1998. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current. The balance consists of:

	2008	2007
Vacation entitlements	$ 19	$ 19
Severance pay benefits	28	28
	$ 47	$ 47

3. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 564	$ 201	$ 361	$ 212
Computer software	81	14	34	3
Equipment and furniture	47	18	93	79
Leaseholds	11	3	11	1
	$ 703	$ 236	$ 499	$ 295
Cost less accumulated amortization		$ 467		$ 204

4. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million of which $NIL was used at March 31, 2008 (2007 - $NIL).

During the year, the Agency incurred interest charges of $NIL (2007 - $NIL).

5. Accrued Vacation Entitlements

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of $19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2008, the accrued vacation entitlement was $98 (2007 - $108).

6. Cyberschools

The Agency has entered into an agreement with Community Connections to develop, implement and operate a province-wide communication gateway/portal to support K-S4 education and Community Connections lifelong learners. The service will include access to secure email, calendars, and file storage.

Receipts and disbursements are as follows:

	2008	2007
Defined balance, beginning of year	$ 665	$ 786
Receipts	-	(121)
Disbursements	(133)	-
Transfer to shared services (unearned revenue - current liabilities)	(532)	-
Defined balance, end of year	$ -	$ 665

7. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $75 (2007 - $91). Commencing in the 2006 fiscal year the actuarial loss of $2 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Revenue - Manitoba Education, Citizenship and Youth

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

9. Commitments

The Agency leases office space under a long-term lease which expires March 31, 2013. The future minimum payments required under this lease are:

2009	$ 39
2010	39
2011	39
2012	39
2013	39

10. Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $41 (2007 - $40). Under this agreement, the Agency has no further pension liability.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of **THE MANITOBA SECURITIES COMMISSION** An Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income and comprehensive income, retained earnings, reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2008

THE MANITOBA SECURITIES COMMISSION
Balance Sheet
(in thousands)

March 31	2008	2007
Assets		
Current Assets		
Cash and short-term deposits (Note 2)	$ 6,127	$ 4,594
Accounts receivable (Note 3)	30	44
Receivable from the Province of Manitoba (Note 5)	269	-
Prepaid expenses	29	36
	6,455	4,674
Restricted short-term deposits (Note 4)	750	750
Receivable from the Province of Manitoba (Note 5)	-	269
Capital assets (Note 6)	178	163
	$ 7,383	$ 5,856
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 75	$ 144
Accrued vacation entitlements (Note 7)	239	210
Accrued salaries and benefits	10	-
	324	354
Severance pay liability (Note 8)	211	205
	535	559
Commitments and contingency (Notes 9 and 12)		
Reserve Fund (Note 10) (Page 5)	750	750
Retained earnings (Page 5)	6,098	4,547
	6,848	5,297
	$ 7,383	$ 5,856

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements

THE MANITOBA SECURITIES COMMISSION
Statement of Income and Comprehensive Income
(in thousands)

For the year ended March 31	2008	2007
Revenue		
Fees	$ 12,386	$ 11,717
Interest	216	150
Miscellaneous	1	46
	12,603	11,913
Expenses		
Salaries and benefits	2,607	2,414
Staff development and professional dues	29	23
Premises	244	243
Contract services	243	223
Professional services	129	120
CSA initiatives*	80	76
Travel	77	69
Telecommunications	57	47
Office materials and supplies	119	94
Education/Information initiatives	53	56
Amortization - capital assets	62	58
Research resources	28	26
Miscellaneous	24	24
	3,752	3,473
Net income and comprehensive income for the year (Page 5)	$ 8,851	$ 8,440

* Canadian Securities Administrators

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements

THE MANITOBA SECURITIES COMMISSION

Statement of Retained Earnings

(in thousands)

For the year ended March 31	2008	2007
Retained earnings, beginning of year	$ 4,547	$ 3,357
Net income and comprehensive income for the year (Page 4)	8,851	8,440
Disposition of surplus operating funds (Note 11)	(7,300)	(7,250)
Retained earnings, end of year (Page 3)	$ 6,098	$ 4,547

Statement of Reserve Fund

(in thousands)

For the year ended March 31	2008	2007
Balance, beginning of year	$ 750	$ 750
Allocation to Retained Earnings	-	-
Balance, end of year (Page 3)	$ 750	$ 750

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Cash Flows
(in thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 8,851	$ 8,440
Adjustment for		
Amortization - capital assets	62	58
	8,913	8,498
Changes in non-cash working capital		
Accounts receivable	14	(28)
Prepaid expenses	7	(15)
Accounts payable and accrued liabilities	(69)	116
Accrued vacation entitlements	29	24
Accrued salaries and benefits	10	-
	(9)	97
Severance pay liability	6	24
	8,910	8,619
Cash Flows from Investing Activities		
Acquisition of capital assets	(77)	(19)
Cash Flows from Financing Activities		
Disposition of surplus operating funds	(7,300)	(7,250)
Net increase in cash and cash equivalents	1,533	1,350
Cash and cash equivalents, beginning of year	4,594	3,244
Cash and cash equivalents, end of year	$ 6,127	$ 4,594
Supplementary information:		
Interest received	$ 212	$ 140

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements

THE MANITOBA SECURITIES COMMISSION
Summary of Significant Accounting Policies

March 31, 2008

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Policies

Effective April 1, 2007 the Commission adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Commission has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

New Accounting Policies (continued)

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Commission has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Commission is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Commission has designated its financial instruments as follows:

Cash and short-term deposits and restricted short-term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

New Accounting Policies (continued)

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Commission's financial statements for the year ended March 31, 2008.

Financial Instruments

The Commission's financial instruments consist of cash and short-term deposits, accounts receivable, restricted short-term deposits, receivable from the Province of Manitoba, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Future Accounting Policy Changes

The CICA has also issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an Commission, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Commission's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

March 31, 2008

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the The Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to The Manitoba Securities Commission in delivering regulated services to clients.

2. Cash and Short-term Deposits

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of thirty, sixty and ninety day callable term deposits.

3. Accounts Receivable

	2008	2007
Accrued interest	$ 30	$ 26
Trade	-	18
	$ 30	$ 44

4. Restricted Short-term Deposits

The Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 10).

5. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current. The balance consists of:

	2008	2007
Vacation entitlements	$ 117	$ 117
Severance pay benefits	152	152
	$ 269	$ 269

6. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 40	$ 28	$ 29	$ 26
Furniture and fixtures	149	132	139	128
Leasehold improvements	41	3	5	1
Computer hardware	137	123	125	120
Computer software	863	766	855	715
	$ 1,230	$ 1,052	$ 1,153	$ 990
Cost less accumulated amortization		$ 178		$ 163

7. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date is offset by a receivable from the Province and was $117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. As at March 31, 2008 there was an increase to the entitlement in the amount of $29. The accrued vacation entitlement was $239 as of March 31, 2008 (2007 - $210).

8. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when the actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2008 was $211 (2007 - $205). Commencing in the 2006 fiscal year, the actuarial loss of $7 is being amortized over the 15 year expected average remaining service life of the employee group.

9. Lease Commitment

The Commission has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2008 were $244. Minimum annual lease payments total $236 per year for each of the next five years.

10. Reserve Fund

The Commission has established a Reserve Fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that has a negative effect on revenues. The amount of the Reserve Fund has remained unchanged in the current year.

11. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

12. Contingency

The Commission has been named as defendant in two statements of claim. At the time of preparation of these financial statements, the outcome of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

13. Pension Benefits

Employees of The Manitoba Securities Commission are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Securities Commission, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Manitoba Securities Commission transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Manitoba Securities Commission was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $92 (2007 - $86). Under this Agreement, the Manitoba Securities Commission has no further pension liability.

14. Working Capital Advances

These advances are provided to the Commission through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Commission has an authorized line of working capital advances of $1.0 million which were unutilize at March 31, 2008 (2007 - $Nil).

The Commission incurred no interest charges during the year (2007 - $Nil).

THE MANITOBA SECURITIES COMMISSION
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2008

Employee	Title	Compensation
Don Murray	Chairman and CEO	$ 128
Doug Brown	Director and Secretary to the Commission	121
Bob Bouchard	Director and CAO	98
Chris Besko	Assistant Legal Counsel	112
Kim Laycock	Assistant Legal Counsel	112
Steven Gingera	Assistant Legal Counsel	121
William Baluk	Registrar	82
Wayne Bridgeman	Senior Analyst	75
Jan Banasiak	Senior Investigator	55
Marlene Nemes	Controller	83
Ainsley Cunningham	Information Officer	68
Paula White	Compliance Officer	70
Jason Roy	Investigator	63
Chris Kowalski	Deputy Registrar - Real Estate	59
Isilda Tavares	Registration Officer	59
Terry Kirkham	Investigator - Real Estate	54
Liz Klippenstein	Programmer Analyst	51
Patrick Weeks	Analyst	53

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

MANITOBA TEXT BOOK BUREAU
130 - 1st Avenue West
P.O. Box 910
Souris, Manitoba R0K 2C0

Tel: (204) 483-5040
(866) 771-6822
Fax: (204) 483-5041

A Special Operating Agency of Manitoba Education, Citizenship and Youth

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Bureau are properly safeguarded. Staff at the Auditor General's Office review internal controls and report their findings to management.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Brenda McKinny
Chief Operating Officer

Denis Labossiere, C.G.A.
Controller

Souris, Manitoba
May 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Text Book Bureau
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Manitoba Text Book Bureau, an agency of the Special Operating Agencies Financing Authority as at March 31, 2008, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bureau as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet

(in thousands)

March 31	2008	2007
Assets		
Current		
Cash	$ 5	$ 15
Accounts receivable	567	503
Inventory	1,893	2,116
Prepaid expenses	6	15
Receivable from Province of Manitoba (Note 3)	64	
	2535	2,649
Receivable from Province of Manitoba (Note 3)		64
Capital assets (Note 4)	73	71
	$ 2,608	$ 2,784
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 427	$ 368
Interest payable – Province of Manitoba	4	4
Customer deposit accounts	117	157
Working capital advance (Note 5)	1,272	1,464
	1,820	1,993
Accrued severance liability (Note 6)	47	44
	1,867	2,037
Equity		
Contributed equity (Note 7)	550	550
Retained earnings	191	197
	741	747
	$ 2,608	$ 2,784

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings

(in thousands)

Year Ended March 31	2008	2007
Sales	$ 7,473	$ 8,138
Cost of goods sold		
Inventory, beginning of year	2,116	2,284
Purchases	6,175	6,872
Transportation in	26	27
Transportation out	95	102
	8,412	9,285
Inventory, end of year	1,893	2,116
Cost of goods sold	6,519	7,169
Gross profit	954	969
General and administrative expenses		
Amortization	28	29
Computer expense	54	54
Employee benefits	64	59
Interest	56	60
Marketing	11	12
Office	22	28
Office occupancy	36	37
Postage	3	3
Professional Services	12	13
Salaries	366	342
Telephone	8	10
Training	3	4
Travel	7	10
Warehouse occupancy	89	89
Warehouse service	201	201
	960	951
Net (loss) income and comprehensive (loss) income	$ (6)	$ 18
Retained earnings, beginning of year	$ 197	$ 179
Net (loss) income	(6)	18
Retained earnings, end of year	$ 191	$ 197

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows

(in thousands)

Year Ended March 31	2008	2007
Increase (decrease) in cash		
Operating		
Net (loss) income and comprehensive (loss) income	$ (6)	$ 18
Amortization	28	29
	22	47
Changes in		
Accounts receivable	(64)	31
Inventory	223	168
Prepaid expenses	9	7
Accounts payable and accrued liabilities	59	(129)
Interest payable – Province of Manitoba		(90)
Customer deposit accounts	(40)	79
Accrued severance liability	3	3
	212	98
Investing		
Acquisition of capital assets	(30)	(29)
Financing		
Payment of working capital advance	(192)	(62)
Net (decrease) increase in cash	(10)	7
Cash, beginning of year	15	8
Cash, end of year	$ 5	$ 15

See accompanying notes to the financial statements.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2008

1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

The MTBB is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education and Training, being the Minister responsible for the Agency at that time, assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

The MTBB continues to be part of the Department of Education, Citizenship and Youth under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The MTBB remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Significant accounting policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) New Accounting Policies

Effective April 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies be made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 3251, *Equity*
This Section, which replaces ***Surplus***, Section 3250, establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this Section is a requirement for an enterprise to present separately each of the changes in equity during the period, including comprehensive income, as well as components of equity at the end of the period.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses, net of hedging, arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. Other comprehensive income comprises revenues, expenses, gains and losses that , in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income. Since the Agency does not have any accumulated other comprehensive income, a statement of accumulated comprehensive income has not been presented.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading, available for sale, held to maturity, loans and receivables, and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Entity has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

c) Financial Instruments

The MTBB's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, interest payable, and a working capital advance. Unless otherwise noted, it is management's opinion that MTBB is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) Cash

Cash includes cash on hand and bank balance.

f) Inventories

Inventories are valued using the average unit cost method.

g) Capital assets

Capital assets are recorded at cost in the year of acquisition. Rates and basis of amortization applied to write off the cost of capital assets over their estimated useful lives are as follows:

Office equipment, furniture and video recording equipment	20% declining balance
Computer software and equipment	20% straight line

One-half year's amortization is applied in the year of acquisition.

h) Revenue recognition

Revenue is recognized upon transfer of title to the customer.

i) Future Accounting Policy Changes

Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*
The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*. These standards enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2009, will require additional disclosures in the financial statements.

Section 1535, *Capital Disclosures*
The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2009, will require additional disclosures in the financial statements.

Section 3031, *Inventories*

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

3. Receivable from Province of Manitoba

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability as at April 1, 1998 calculated at $63 was completely offset by a receivable from the Province. The receivable from the Province was restated to $64 as a result of the actuarial valuation completed as at March 31, 2000.

The receivable from the Province will be settled on March 31, 2009. On that date, the Province will deposit into a trust account in the name of MTBB an amount equal to the outstanding balance of this receivable.

Manitoba Text Book Bureau
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2008

4. Capital assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Computer software & equipment	$ 283	$ 237	$ 254	$ 216
Office equipment & furniture	47	25	46	19
Video recording equipment	51	46	63	57
	$ 381	$ 308	$ 363	$ 292
Cost less accumulated amortization		$ 73		$ 71

5. Working capital

The MTBB has an authorized line of working capital advances of $4,000, of which $1,272 was used as of March 31, 2008 (2007 - $1,464).

6. Severance liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The MTBB's actuarially determined net liability for accounting purposes as at March 31, 2008 was $47 (2007 - $44). Commencing in the 2006 fiscal year the actuarial gain of $16 is being amortized over the 15 year expected average remaining service life of the employee group.

7. Contributed equity

SOAFA and the Government of Manitoba entered into a Transfer Agreement in connection with the transfer from Manitoba to SOAFA of assets valued at $5,240 and liabilities of $4,690 required for the continuing operations of the MTBB as at March 31, 1996. The MTBB recorded the balance of $550 (being the value of the net assets) as Manitoba's Contributed Equity in SOAFA as related to the MTBB's operations.

8. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The MTBB enters into transactions with these entities in the normal course of business.

9. Pension benefits

Employees of the MTBB are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the MTBB, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the MTBB transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the MTBB was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $12 (2007 - $11). Under this agreement the MTBB has no further pension liability.

10. Public sector compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2007, the following employees received compensation in excess of $50:

Name	Position	**2008**	2007
Denis Labossiere	Controller	$63	$61
Brenda McKinny	Chief Operating Officer	$63	$58

E X G

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agency's Financial Authority of Materials Distribution Agency

We have audited the balance sheet of Materials Distribution Agency as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
April 30, 2008

Management's Responsibility for Financial Reporting

The Materials Distribution Agency's (the Agency) management is responsible for preparing the financial statements. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through April 30, 2008.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

David Bishop
Chief Operating Officer

Joel Hershfield
Manager of Finance and Technology

Winnipeg, Manitoba
April 30, 2008

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and short term investments *(Note 7)*	$ 732	$ 723
Accounts receivable	2,989	2,868
Receivable - Province of Manitoba *(Note 3)*	412	-
Inventories *(Notes 2, 4)*	1,485	1,521
Prepaid expenses	171	216
	5,789	5,328
RECEIVABLE - PROVINCE OF MANITOBA *(Note 3)*	-	412
EQUIPMENT *(Notes 2, 5)*	1,641	1,637
OTHER ASSETS *(Notes 2, 6)*	238	348
	$ 7,668	$ 7,725
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 3,321	$ 3,056
SEVERANCE LIABILITY *(Note 8)*	379	384
	3,700	3,440
EQUITY		
Contributed equity	1,297	1,297
Retained earnings	2,671	2,988
	3,968	4,285
	$ 7,668	$ 7,725

COMMITMENTS *(Note 10)*

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31, 2008

	2008	2007
NET WAREHOUSE SALES *(Schedule 1)*	$ 12,517	$ 11,999
COST OF SALES	(9,961)	(9,677)
GROSS PROFIT	2,556	2,322
SERVICE REVENUE *(Schedule 1)(Note 2)*	10,389	9,970
NET REVENUE	12,945	12,292
EXPENSES		
Salaries and benefits	4,186	3,940
Occupancy costs	724	785
Schedule of Administrative Expenses *(Schedule 2)*	7,952	7,741
	12,862	12,466
NET INCOME (LOSS)	83	(174)
RETAINED EARNINGS - BEGINNING OF YEAR	2,988	3,562
	3,071	3,388
REVENUE SHARING - PROVINCE OF MANITOBA	(400)	(400)
RETAINED EARNINGS - END OF YEAR	$ 2,671	$ 2,988

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2008

	2008	2007
OPERATING ACTIVITIES		
Cash receipts from customers	$ 12,266	$ 12,221
Cash received from service and software sales	10,389	9,970
Cash paid for inventories	(9,960)	(9,677)
Cash paid for salaries and benefits	(4,191)	(3,894)
Cash paid for occupancy	(724)	(785)
Cash paid for supplies, administration and other	(6,535)	(7,637)
Cash flow from operating activities	1,245	198
INVESTING ACTIVITIES		
Acquisition of rental equipment	(805)	(233)
Acquisition of equipment	(31)	125
Cash flow used by investing activities	(836)	(108)
FINANCING ACTIVITIES		
Revenue sharing - Province of Manitoba	(400)	(400)
Lease obligations	-	(7)
Cash flow used by financing activities	(400)	(407)
INCREASE (DECREASE) IN CASH FLOWS	9	(317)
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	723	1,040
CASH AND SHORT-TERM INVESTMENTS- END OF YEAR	$ 732	$ 723

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate was to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956 Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New accounting policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Future accounting policy changes

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an Agency, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 3031 Inventories

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Agency's financial instruments consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values, unless otherwise noted.

Cash and short term investments

Cash and short term investments include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Equipment

Equipment is stated at cost less accumulated amortization. Equipment is amortized over their estimated useful lives at the following rates and methods:

Computer equipment	20%	straight-line method
Fixtures	20%	straight-line method
Leasehold improvements	5 years	straight-line method
Office equipment	20%	straight-line method
Production equipment	20%	diminishing balance method
Rental equipment	2 - 5 years	straight-line method
Warehouse equipment	20%	diminishing balance method

Non-consumable equipment relating to the Home Care Equipment and Supplies Program are amortized at varying rates in order to reflect the varying periods of useable "life"

Rental equipment	2, 3 or 5 years	straight-line method

Other assets

Other assets are recorded at cost and are amortized at the following rates on the following basis:

Computer conversion	5 years	straight-line method
Relocation expenses	10 years	straight-line method

Revenue recognition

Warehouse sales are normally recognized when the products are shipped, service revenues are recognized on the provision of services.

3. RECEIVABLE - PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlement earned by the employees of the Agency prior to its designation as a Special Operating Agency. It also includes severance pay benefits earned by the employees to March 31, 1998.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on (the entities) behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

	2008	2007
Vacation	$ 116	$ 116
Severance	296	296
	$ 412	$ 412

4. INVENTORIES

	2008	2007
Medical Supplies	$ 583	$ 685
Equipment	82	69
Stationery	520	530
Janitorial	230	204
New Furniture	70	33
	$ 1,485	$ 1,521

5. EQUIPMENT

	2008		2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 195	$ 192	$ 187	$ 179
Fixtures	109	109	109	109
Leasehold improvements	709	684	697	543
Office equipment	64	64	64	64
Production equipment	284	240	279	230
Rental equipment	5,116	3,816	4,311	3,210
Warehouse equipment	738	469	732	407
	$ 7,215	$ 5,574	$ 6,379	$ 4,742
Net book value	$ 1,641		$ 1,637	

6. OTHER ASSETS

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Computer Conversion	$ 337	$ 252	$ 85	$ 165
Relocation	287	134	153	183
	$ 624	$ 386	$ 238	$ 348

7. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $2,300 of which none (2007 – none) was used at March 31,2008. Cash and short term investments are net of the working capital payable.

8. SEVERANCE LIABILITY

Effective April 1, 1998 the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on a annual basis. The Materials Distribution Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $379 (2007 - $384). Commencing in the 2006 fiscal year the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

9. CONTRIBUTED EQUITY

Loan Authority – April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventories and capital assets valued at $1,464 required for the continuing operations of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being ½ of the value of the assets) and recorded the balance, $732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

Loan Authority – April 1, 1996 – MMA

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of $51 (being one-half of the value of the assets) and recorded the balance of $51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

Loan Authority – April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being ½ of the value of the assets) and recorded the balance, $514, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

10. COMMITMENTS

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of 10 years with an additional 5 year option commencing May 1, 2003.

The payments over the next five years are as follows:

2009	$ 521
2010	521
2011	521
2012	521
2013	521

Equipment Lease

The Agency has entered into a 5 year lease with Xerox for printing equipment. The lease is being paid yearly with payments of $30 annually.

Rental Agreement

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2008 were $93 (2007 - $93).

11. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provision of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Materials Distribution Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency is required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $410 (2007 - $430).

12. INTEREST RECEIVED

The Agency received interest during the year of $17 (2007 - $24).

13. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2008, the following employees received compensation in excess of $50:

Ailyn Almendral	IT - Systems Administrator	$	68
David Bishop	Chief Operating Officer		64
Greg Bowers	Marketing and Communications		58
Rhonda Boyd	Client Services Manager		54
Glenn Dela Cruz	Programmer/Analyst		58
Wes Dropko	Programmer/Analyst		62
Joel Hershfield	Manager of Finance & Technology, Wellness Co-ordinator		71
Michael Langenfeld	Contracts and Purchasing Manager		54
Robert Nicholls	Logistics Manager		53

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Warehouse Sales and Service Revenue *(Schedule 1)*

(In Thousands)

Year Ended March 31, 2008

	2008	2007
WAREHOUSE SALES		
Medical supplies	$ 4,530	$ 4,450
Stationery	3,624	3,461
Furniture	2,085	2,277
Janitorial	1,453	1,277
Health Equipment	518	390
Special projects	307	144
	$ 12,517	$ 11,999
SERVICE REVENUE		
Disposal	$ 4	$ 15
Manitoba Textbook Bureau	292	292
Freight	584	452
Moving	617	472
Storage	80	80
Office equipment - maintenance program	45	61
Office equipment - copy centres	475	534
Mail Processing	4,555	4,824
Inter Departmental Mail	735	490
Mail Finishing	389	385
Printing	140	184
Contract Management	40	30
Home Care equipment rentals	2,325	2,050
Other income	108	92
	$ 10,389	$ 9,970

MATERIALS DISTRIBUTION AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Administrative Expenses *(Schedule 2)*

(In Thousands)

Year Ended March 31, 2008

	2008	2007
EXPENSES		
Amortization	$ 940	$ 827
Bad debts	131	-
Computer	194	213
Copy Centre	300	358
Equipment rentals	88	111
Freight	1,045	997
Mail Services	4,396	4,473
Miscellaneous	9	26
Moving	337	268
Office	161	164
Professional fees	14	11
Promotion and marketing	45	39
SOAFA fees	2	2
Telephone	54	59
Training	14	20
Vehicle	93	62
Warehouse supplies	129	111
	$ 7,952	$ 7,741

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisers
comptables agréés et conseillers

Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of the Office of the Fire Commissioner, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 16, 2008

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(In Thousands)

March 31	2008	2007
Assets		
Current Assets		
Cash	$ 4,437	$ 5,263
Short-term investments (Note 2)	3,000	2,400
Accounts receivable (Note 3)	1,463	471
Accrued interest	1	6
Due from Province of Manitoba - Severance (Note 4)	311	-
Due from Province of Manitoba - Vacation Pay (Note 5)	248	-
Prepaid expense	50	57
	9,510	8,197
Non-Current Assets		
Due from Province of Manitoba - Severance (Note 4)	-	311
Due from Province of Manitoba - Vacation Pay (Note 5)	-	248
Capital assets (Note 6)	6,129	5,464
	6,129	6,023
	$ 15,639	$ 14,220
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 798	$ 193
Accrued liabilities	693	490
Deferred revenue	282	272
	1,773	955
Non-Current Liabilities		
Severance liability (Note 7)	393	388
Deferred contributions (Note 10)	626	519
	1,019	907
Equity		
Contributed capital (Note 8)	11,279	11,279
Water Bomber Reserve Fund (Note 11)	200	200
Canine Training Reserve Fund (Note 12)	33	25
Retained earnings	1,335	854
	12,847	12,358
	$ 15,639	$ 14,220

Approved on behalf of the Special Operating Agency Advisory Board:

Chairperson

Fire Commissioner

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Retained Earnings
(In Thousands)

For the year ended March 31	2008	2007
Opening balance	$ 854	$ 216
Net income and comprehensive income for the year	489	663
Canine Training Reserve Fund Allocation (Note 12)	(8)	(25)
Closing balance	$ 1,335	$ 854

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations
(In Thousands)

For the year ended March 31	2008 Actual	2007 Actual	Variance	Budget (Unaudited)	Budget Variance
Revenue					
Levy	$ 5,362	$ 5,119	$ 243	$ 4,926	$ 436
Codes and standards	1,970	2,141	(171)	1,350	620
Tuition and contract revenue	1,134	913	221	1,400	(266)
JEPP initiative grant (Note 10)	404	81	323	140	264
Interest	199	138	61	102	97
JEPP capital grant (Note 10)	129	108	21	225	(96)
Grant - Health	110	90	20	-	110
Emergency services conference	98	108	(10)	100	(2)
Other revenue	76	72	4	50	26
Grant - Mutual Aid	70	-	70	-	70
Fire inspections, investigations and reports	14	21	(7)	25	(11)
Rent	5	4	1	-	5
Gain on asset disposition	-	5	(5)	-	-
New SAR Initiative (NIF) Grant (Note 9)	-	30	(30)	50	(50)
	9,571	8,830	741	8,368	1,203
Expenses					
Salaries and benefits	4,795	4,281	514	4,580	215
Supplies	767	334	433	220	547
Amortization	761	721	40	717	44
Travel	603	435	168	340	263
Vehicle lease	421	389	32	450	(29)
Repairs and maintenance	302	327	(25)	300	2
Rent	244	221	23	212	32
Desktop management	172	192	(20)	200	(28)
Communications	170	170	-	185	(15)
Professional services	157	226	(69)	94	63
Mutual Aid	154	141	13	125	29
Property taxes	134	135	(1)	126	8
Insurance	101	106	(5)	110	(9)
Labour services	95	95	-	96	(1)
Utilities	84	82	2	75	9
Fuel - Owned vehicles	66	61	5	50	16
Postal and courier	50	39	11	40	10
Public education material	46	50	(4)	30	16
Publications	30	35	(5)	25	5
Clothing	27	20	7	30	(3)
Other	22	22	-	50	(28)
Marketing	22	20	2	16	6
Minor capital	20	-	20	-	20
Professional development	14	30	(16)	31	(17)
Memberships and subscriptions	5	6	(1)	3	2
Seminar and conference registration	4	-	4	8	(4)
Information systems	3	-	3	75	(72)
Photofinishing	2	2	-	2	-
Bad debt	2	-	2	-	2
S.O.A. Board	1	2	(1)	2	(1)
Buildings standards board	1	-	1	3	(2)
New SAR initiative (NIF) expenditures (Note 9)	-	-	-	30	(30)
Emergency response	-	25	(25)	100	(100)
Medical computer lab	-	-	-	5	(5)
Cost Recovery	(193)	-	(193)	-	(193)
	9,082	8,167	915	8,330	752
Net income and comprehensive income for the year	$ 489	$ 663	$ (174)	$ 38	$ 451

OFFICE OF THE FIRE COMMISSIONER

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 489	$ 663
Items not involving cash		
Amortization of capital assets	761	721
	1,250	1,384
Net change in non-cash working capital balances	(50)	(145)
	1,200	1,239
Cash Flows from Investing Activities		
Proceeds on disposition of assets	3	16
Purchase of capital assets	(1,429)	(487)
	(1,426)	(471)
Net increase (decrease) in cash and cash equivalents	(226)	768
Cash and cash equivalents, beginning of year	7,663	6,895
Cash and cash equivalents, end of year	$ 7,437	$ 7,663
Represented by:		
Cash and bank	$ 4,437	$ 5,263
Short-term investments	3,000	2,400
	$ 7,437	$ 7,663

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Summary of Significant Accounting Policies

March 31, 2008

Basis of Accounting

The financial statements are presented in accordance with Canadian generally accepted accounting principles (GAAP).

New Accounting Policies

Effective April 1, 2007 the Office of the Fire Commissioner adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Office of the Fire Commissioner's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Office of the Fire Commissioner has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Office of the Fire Commissioner has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments - Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

New Accounting Policies
(continued)

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Office of the Fire Commissioner has designated its financial instruments as follows:

Cash and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable, accrued interest and amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and severance liability are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Office of the Fire Commissioner's financial statements for the year ended March 31, 2008.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Summary of Significant Accounting Policies

March 31, 2008

Capital Assets

Buildings, fire engines, other vehicles and air compressors transferred to the SOAFA from the Government of Manitoba on April 1, 1996 were valued at the lower of their amortized cost or estimated market value. All other assets transferred from the Government of Manitoba on April 1, 1996 were valued at their market value.

The Office provides for amortization of its capital assets on the following basis:

Buildings	5% declining balance
Practical training site	10% declining balance
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	30% declining balance

Inventory

Inventory is valued at cost.

Revenue Recognition

The Fires Prevention Act imposes a special assessment on licensed insurers equal to a set percentage of total property insurance premiums.

The Office of the Fire Commissioner collects this levy based on the value of premiums and assessments in respect to property insurance in a calendar year. Levy revenue with respect to the 2007 calendar year will be recognized as revenue in the fiscal year ending March 31, 2008. The levy rate is set at 1.25%.

Codes and standards, conference, and tuition and contract revenue is recognized when earned. Operating grant revenue is recognized as revenue when receivable. Grant revenue received for the purchase of capital assets is deferred and recognized as revenue in the same fiscal year and at the same rate as the amortization expense of the related capital assets.

Financial Instruments

The Agency's financial instruments consist of cash, short-term investments, accounts receivable, accrued interest, amounts due from the Province of Manitoba, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to Financial Statements
(in Thousands)

March 31, 2008

1. Nature of the Office of the Fire Commissioner

Effective April 1, 1996, the Office of the Fire Commissioner was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement executed between the Government of Manitoba (Labour) and the Financing Authority, a corporation under The Special Operating Agencies Financing Authority (SOAFA) Act, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority.

A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office itself does not hold title to any assets. Effective April 1, 1996, the Financing Authority established a fund account referred to as the Fires Prevention Fund to hold these assets.

The Office of the Fire Commissioner will continue to be part of the Department of Labour and Immigration and ultimately under the policy direction of the Minister of Labour and Immigration.

The Office of the Fire Commissioner will remain bound by relevant legislation and regulations. It will also remain bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Office of the Fire Commissioner is economically dependent on the Province of Manitoba, as it derives most of its revenues from the Fires Prevention Levy.

2. Investments

The Investment Balance represents funds on deposit with the Department of Finance of the Province of Manitoba with maturities of less than one (1) year.

3. Accounts Receivable

The accounts receivable balance is made up of the following:

	2008	2007
Insurance Branch of Department of Consumer & Corporate Affairs	$ 288	$ 67
Office of Critical Infrastructure Protection and Emergency Preparedness	912	342
National Resources Canada	71	-
Manitoba STEM	30	-
Manitoba Health	110	-
Other	54	62
	1,465	471
Less: Allowance for doubtful accounts	(2)	-
	$ 1,463	$ 471

4. Long-Term Severance Receivable and Liability

The Province has accepted responsibility for the severance benefits accumulated by the Office of the Fire Commissioner's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $282 was completely offset by a receivable from the Province. An actuarial valuation report of the Agency's severance liability as at March 31, 2000 was completed and as a result the receivable from the Province was restated to $311.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Office of the Fire Commissioner's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

5. Vacation Pay Receivable

Effective March 31, 1996, the Office of the Fire Commissioner commenced recording the estimated liability for vacation pay for its employees. The amount of the estimated liability is determined on March 31 of each year based on eligible vacation entitlements.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1996 by the Office of the Fire Commissioner's employees. Accordingly, the Office of the Fire Commissioner recorded, effective March 31, 1996, a receivable of $248 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1996.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for vacation pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Office of the Fire Commissioner's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

6. Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance
Buildings	$ 4,086	$ 741	$ -	$ 4,827
Buildings - JEPP	-	95	-	95
Training site	2,041	58	-	2,099
Training site - JEPP	203	-	-	203
Equipment	1,604	251	-	1,855
Equipment - JEPP	764	82	-	846
Fire engines	989	-	-	989
Other vehicles	375	85	8	452
Other vehicles - JEPP	40	59	-	99
Air compressors	385	52	-	437
Furniture	70	-	-	70
Computers	335	6	-	361
Computers - JEPP	13	-	1	12
Total cost	$ 10,945	$ 1,429	$ 9	$ 12,345

	Opening Accumulated Amortization	Disposition	Current Year's Amortization	Accumulated Amortization
Buildings	$ 1,333	$ -	$ 174	$ 1,507
Buildings - JEPP	-	-	5	5
Training site	894	-	119	1,013
Training site - JEPP	28	-	17	45
Equipment	1,146	-	142	1,288
Equipment - JEPP	433	-	82	515
Fire engines	781	-	63	844
Other vehicles	254	6	59	307
Other vehicles - JEPP	30	-	23	53
Air compressors	253	-	37	290
Furniture	63	-	2	65
Computers	237	-	37	274
Computers - JEPP	9	-	1	10
Total Amortization	$ 5,461	$ 6	$ 761	$ 6,216
Net Capital Assets	$ 5,464			$ 6,129

7. Severance Liability

Effective April 1, 1998, the Office of the Fire Commissioner began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining life of the related employee group.

An actuarial report was completed for the severance pay liability as at March 31, 2005. The report provides a formula to update the liability on an annual basis. The Office of the Fire Commissioner's actuarially determined net liability for accounting purposes as at March 31, 2008 is $393 (2007 - $388).

8. Contributed Capital

In consideration of the transfer of said assets effective April 1, 1996, the SOAFA shall:

a) not incur or repay to the Government of Manitoba any debt relative to the assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance; and

b) record the balance of $11,038 (being the balance of the net assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance) as Manitoba's equity in the Financing Authority as related to the Agency's operations.

Due to a change in accounting policy, buildings were being amortized over 40 years as opposed to 30 years. This has resulted in a revaluation of buildings as at April 1, 1996. The value of buildings and contributed equity has increased $241 as at April 1, 1996 to $11,279.

9. New Search and Rescue (SAR) Initiative (NIF)

On a quarterly basis, the Office of the Fire Commissioner applies for a grant from the National Search and Rescue Secretariat of the Department of National Defence. The purpose of this grant is to enhance Manitoba search and rescue capabilities by developing the volunteer search and rescue system aimed at northern and remote areas of Manitoba.

The New SAR Initiative (NIF) Grant line item reflects the grant received for the year ended March 31, 2008 of $- ($30 in 2007).

10. Joint Emergency Preparedness Program (JEPP) Grant

The Office of the Fire Commissioner applies for grants from the Office of Critical Infrastructure Protection and Emergency Preparedness. The two purposes of these grants are to enhance the Province of Manitoba's ability to respond to hazardous material and heavy urban search and rescue emergency responses through the provision of equipment and training.

JEPP operating grant revenue for the year ended March 31, 2008 is $404 ($81 in 2007). An amount of $129 was taken into revenue from the deferred revenue account for the amortization of the JEPP assets for the year ended March 31, 2008 ($108 in 2007).

JEPP capital assets in the amount of $206 have been purchased in the year ended March 31, 2008 ($81 in 2007). JEPP deferred revenue is equal to the net book value of assets purchased with JEPP capital grants. JEPP deferred revenue as at March 31, 2008 is $626 ($519 in 2007).

11. Water Bomber Reserve Fund

The Agency received approval from Treasury Board in Fiscal 2005 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2008, the agency has allocated a total of $200 to this fund from its Retained Earnings account.

12. Canine Training Reserve Fund

The Agency established a special reserve fund for replacing and training a rescue dog. The total cost to train a dog is estimated at $40 and the average time a dog spends in service is six years. In March 2007, the Agency allocated $25 to this fund from its retained earnings. An allocation of $7.5 has been made to the fund this year and a final allocation of $7.5 will be made next year to cap the fund at $40. In the year after the fund is capped, an annual allowance will be included in the Agency's operating budget. Once this fund has been used it will be discontinued.

13. Commitments and Contingencies

The Office of the Fire Commissioner as tenant has entered into a Lease Agreement with the City of Brandon as Landlord for the land upon which the practical training facility has been constructed. The term of the lease expires May 31, 2012. Minimum annual rent is $11 due in equal monthly instalments, plus all operating costs with respect to the subject land.

Office equipment leases exist for four copy machines. The longest lease expires November 30, 2008.

The Office of the Fire Commissioner has entered into leases on a fleet of 34 vehicles.

These three categories of leases give rise to commitments as follows:

2009	$	185
2010		131
2011		107
2012		70
2013		47

14. Pension Benefits

Employees of the Office of the Fire Commissioner are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Office of the Fire Commissioner, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba the Office of the Fire Commissioner transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Office of the Fire Commissioner was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $191 ($174 in 2007). Under this agreement, the Office of the Fire Commissioner has no further pension liability.

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization and Staff Development and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available to May 21, 2008.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of Organization and Staff Development are fairly represented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Organization and Staff Development

Anna Beauchamp, Director
May 21, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To Organization and Staff Development
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Organization and Staff Development, an Agency of The Special Operating Agencies Financing Authority as at March 31, 2008, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008, and results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 21, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Balance Sheet

March 31	2008	2007
		(000's)
Assets		
Current Assets		
Cash and bank (Note 3)	$ 39	$ 12
Short-term investments - Province of Manitoba	640	526
Accounts receivable	181	244
Receivable from Province of Manitoba (Note 4)	39	-
Inventories	14	16
	913	798
Receivable from Province of Manitoba (Note 4)	-	39
Capital assets (Note 5)	36	39
	$ 949	$ 876
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 119	$ 99
Severance liability (Note 6)	52	47
	171	146
Equity		
Retained earnings	778	730
	$ 949	$ 876

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Statement of Operations and Retained Earnings

For the year ended March 31

(000's)

	2008 Actual	2007 Actual	Variance	Budget	Variance
Revenue					
Training and consulting	$ 1,564	$ 1,877	$ (313)	$ 1,400	$ 164
Interest	23	19	4	8	15
	1,587	1,896	(309)	1,408	179
Expenses					
Professional fees	659	659	-	559	100
Salaries and benefits	559	500	59	568	(9)
Books and course materials	64	139	(75)	64	-
Food and beverages	56	84	(28)	55	1
Accommodations	52	81	(29)	50	2
Occupancy costs	29	26	3	29	-
Office supplies	24	20	4	15	9
Desk top management	22	19	3	19	3
Travel	19	32	(13)	30	(11)
Marketing	15	4	11	5	10
Communications	14	24	(10)	20	(6)
Rentals	8	20	(12)	15	(7)
Professional development	7	9	(2)	10	(3)
Amortization	7	5	2	4	3
Other	4	5	(1)	5	(1)
Great Plains Support	-	-	-	1	(1)
	1,539	1,627	(88)	1,449	90
Net income and comprehensive income for the year	48	269	$ (221)	$ (41)	$ 89
Retained earnings, beginning of year	730	461			
Retained earnings, end of year	$ 778	$ 730			

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Statement of Cash Flows

For the year ended March 31	2008	2007
	(000's)	
Cash Flows from Operating Activities		
Net income for the year	$ 48	$ 269
Adjustment for		
Amortization of capital assets	7	5
	55	274
Changes in non-cash working capital balances		
Accounts receivable	63	(175)
Inventories	2	(11)
Accounts payable and accrued liabilities	20	(120)
Severance liability	5	(28)
	90	(334)
	145	(60)
Cash Flows from Investing Activities		
Purchase of capital assets	(4)	(35)
Increase (decrease) in cash and cash equivalents	141	(95)
Cash and cash equivalents, beginning of year	538	633
Cash and cash equivalents, end of year	$ 679	$ 538
Represented by		
Cash and bank	$ 39	$ 12
Short-term investments	640	526
	$ 679	$ 538

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Notes to Financial Statements

March 31, 2008

(000's)

1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister responsible for the Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

Organization and Staff Development continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

Organization and Staff Development remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Organization and Staff Development is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province of Manitoba and all of its capital financing requirements through the Financing Authority.

2. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506 Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530 Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855 Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

March 31, 2008

(000's)

2. Significant Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and bank and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and the receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Account payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and bank, short-term investments, accounts receivable, receivable from the Province of Manitoba, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Revenue Recognition

Training and consulting revenue is recorded on an accrual basis by specific project.

Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(000's)

2. Significant Accounting Policies (continued)

Future Accounting Policy Changes

The CICA has issued two new standards: CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related to the exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Agency's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

In June 2007, the CICA also issued a new standard, CICA 3031: *Inventories*, which replaces Section 3030: Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory). The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Capital Assets

Rates of amortization applied to write off the cost of capital assets over their estimated life are as follows:

Office equipment	20% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	20% straight-line

In the year of acquisition, amortization is calculated at one half of the rate indicated above.

3. Working Capital

The Agency has an authorized line of working capital advances of $120 which was unused and available at March 31, 2008.

4 Receivable from Province of Manitoba

The Province of Manitoba has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $33 was completely offset by a receivable from the Province. The receivable from the Province was restated to $39 as a result of the actuarial valuation completed as at March 31, 2000.

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay. This payment will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

5 Capital Assets

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 6	$ 3	$ 3	$ 6	$ 3	$ 3
Furniture and fixtures	50	19	31	46	13	33
Computer equipment	14	12	2	14	11	3
	$ 70	$ 34	$ 36	$ 66	$ 27	$ 39

6. Severance Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2007. The report provides a formula to update the liability on an annual basis. The Organization and Staff Development's actuarially determined net liability for accounting purposes as at March 31, 2008 was $52 ($47 as at March 31, 2007).

March 31, 2008

(000's)

7. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Agency enters into transactions with these entities in the normal course of business.

8. Contingencies

A potential claim has been filed against the Agency for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss can not be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

9. Pension Benefits

Employees of Organization and Staff Development are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Organization and Staff Development, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $16 ($18 in 2007). Under this agreement, the Agency has no further pension liability.

To the Special Operating Agencies Financial Authority:

We have audited the balance sheet of Pineland Forest Nursery, an Agency of the Special Operating Agencies Financial Authority as at March 31, 2008 and the statements of loss and comprehensive income, deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Nursery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nursery as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 23, 2008

Chartered Accountants

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Balance Sheet
As at March 31, 2008

	2008 *(In thousands)*	*2007* *(In thousands)*
Assets		
Current		
Accounts receivable *(Note 3)*	955	183
Unbilled revenue	408	484
Inventory	116	92
Prepaid expenses	34	42
Receivable from the Province of Manitoba *(Note 4)*	187	-
	1,700	801
Receivable from the Province of Manitoba *(Note 4)*	-	187
Property, plant and equipment *(Note 5)*	1,508	1,669
	3,208	2,657
Liabilities and Equity		
Current		
Working capital advances *(Note 6)*	2,212	1,950
Accounts payable and accruals	265	337
Unearned revenue	342	-
	2,819	2,287
Severance pay liability *(Note 7)*	232	207
	3,051	2,494
Deficit	(199)	(102)
Contributed surplus *(Note 9)*	356	356
	157	254
	3,208	2,657

Approved on behalf of the Special Operating Agencies Financing Authority

_____ **Director** _____ **Director**

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Loss and Comprehensive Income
For the year ended March 31, 2008

	2008 *(In thousands)*	*2007* *(In thousands)*
Revenue - Private sector		
Overwinter	914	916
Current	449	336
Seed services	84	110
Tree improvement	7	2
Other	25	10
	1,479	1,374
Revenue - Province of Manitoba		
Overwinter	1,221	1,080
Current	85	112
Seed services	41	26
Tree improvement	-	2
Other	46	-
	1,393	1,220
	2,872	2,594
Operating expenses *(Schedule 1)*	1,116	1,030
General Administrative expenses		
Salaries, wages and benefits	1,535	1,408
Amortization	217	245
Interest - operating loan	101	90
	2,969	2,773
Net loss and Comprehensive Income	(97)	(179)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Deficit
For the year ended March 31, 2008

	2008 *(In thousands)*	*2007* *(In thousands)*
Retained earnings (deficit), beginning of year	(102)	62
Net loss	(97)	(164)
Deficit, end of year	(199)	(102)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Cash Flows
For the year ended March 31, 2008

	2008 *(In thousands)*	*2007* *(In thousands)*
Cash provided by (used for) the following activities		
Operating activities		
Net loss	(97)	(164)
Amortization	217	245
	120	81
Changes in working capital accounts		
Accounts receivable	(772)	156
Unbilled revenue	76	(196)
Inventory	(24)	16
Prepaid expenses	8	6
Accounts payable and accruals	27	100
Severance pay liability	25	23
Unearned revenue	342	-
	(198)	186
Investing activities		
Purchases of property, plant and equipment	(55)	(38)
Increase (decrease) in cash resources	(253)	148
Cash deficiency, beginning of year	(1,959)	(2,107)
Cash deficiency, end of year	(2,212)	(1,959)
Supplementary cash flow information		
Interest paid	101	94

The accompanying notes are an integral part of these financial statements

1. Nature of the organization

In 1953, Pineland Provincial Forestry Nursery was established to meet all the nursery stock requirements of the Province at one location. Prior to 1953 there were several small nurseries located throughout the Province. Effective April 1, 1995, Pineland Forest Nursery was designated as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) and operates under a charter approved by the Lieutenant Governor in Council.

A management agreement between the Financing Authority and the Minister of Conservation assigns responsibility to the Nursery to manage and account for the agency related assets and operations on behalf of the Financing Authority. Pineland Forest Nursery continues to be part of Manitoba Conservation under the general direction of the Assistant Deputy Minister of Conservation Programs and ultimately the policy direction of the Deputy Minister and the Minister. Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. Significant accounting policies

The financial statements of the Nursery have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Supplies inventory is valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

Greenhouse	5%
Irrigation system	10%
Irrigation pipe	10%
Water service building	5%
Equipment	20%

Amortization on current year additions is pro-rated based on the length of time in use in the current year.

Revenue recognition

Revenue is recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue. Any excess of amounts billed over revenue recorded on a percentage of completion basis is recorded as unearned revenue.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Accrued vacation entitlement

The Nursery follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1995. The liability at this date is offset by a receivable from the Province and was $99,000 as at March 31, 1995. Any subsequent changes to the entitlement are reflected as a current year expense to the Nursery. The accrued vacation entitlement was $128,000 as of March 31, 2008 (2007 - $110,000) and is included in accounts payable and accruals.

Financial instruments

The Nursery's financial instruments consist of accounts receivable, working capital advances and accounts payable and accruals.

Unless otherwise noted, it is managment's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accruals approximates their carrying values due to their short-term maturity.

2. Significant accounting policies *(Continued from previous page)*

New Accounting Policies

Effective April 1, 2007 the Nursery adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income
Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The entity has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008 and did not identify any components of comprehensive income on adoption of this standard.

Section 3855, Financial Instruments - Recognition and Measurement
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are to be reported.

The Nursery is required to designate its financial instruments as one of the following: held for trading, held to maturity, available for sale, loans and receivables, and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Nursery has designated its financial instruments as follows:

Working capital advances are classified as a financial liability held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of this financial liability, the carrying value approximates its fair value.

Accounts receivable is classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accruals are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on Pineland's financial statements for the year ended March 31, 2008.

Donated materials and services

Donated materials and services are recorded in the accounts at their fair value. Fair value is based on the amounts that would be paid if these materials and services were purchased in the normal course of business. No amount has been included in cases when fair value could not be reasonably estimated.

3. Accounts receivable

	2008 *(In thousands)*	*2007* *(In thousands)*
Trade receivables		
Province of Manitoba	384	56
Other	614	170
	998	226
Allowance for doubtful accounts	(43)	(43)
	955	183

4. Receivable from the Province of Manitoba

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severence pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Nursery's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current for fiscal 2008 (non-current for fiscal 2007).

5. Property, plant and equipment

			2008 *(In thousands)*	*2007* *(In thousands)*
	Cost	*Accumulated amortization*	*Net book value*	*Net book value*
Buildings	3,950	2,721	1,229	1,366
Equipment	1,724	1,445	279	303
	5,674	4,166	1,508	1,669

6. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $3,000,000 of which $2,212,000 was advanced at March 31, 2008 (2007 - $1,955,000).

7. Severance pay liability

Effective April 1, 1998, the Nursery began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because changes in actuarial assumptions used. The resulting actual gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an accrual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2006 was $185,000. The expected liability on an accrual basis is $232,000 at March 31, 2008. Commencing in the 2006 fiscal year the actuarial loss of $58,000 is being amortized over the 15 year expected average remaining service life of the employee group.

8. Pension benefits

Employees of the Nursery are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Nursery transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $59,000 (2007 - $58,000). Under this agreement, the Nursery has no further pension liability.

9. Contributed surplus

The Special Operating Agencies Financing Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from the Province to the Financing Authority on a voluntary basis of the assets, liabilities and equity required for the continuing operations of Pineland Forest Nursery as at March 31, 1998. The Nursery was responsible to repay the Special Operating Agencies Financing Authority the debt portion in the amount of $136,000 (being full of the value of the assets) and to record the remainder as the Province's equity in the Financing Authority as related to the Nursery's operations. The debt portion was fully repaid during the 2004 fiscal year.

10. Economic dependence

The Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

11. Financial instruments

The Nursery as part of its operations carries a number of financial instruments. It is management's opinion that the Nursery is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Nursery to concentrations of credit risk consist primarily of trade accounts receivable. Nursery revenue are concentrated in the forestry sector; however, credit exposure is limited due to the Nursery's large customer base.

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Schedule 1 - Schedule of Operating Expenses
For the year ended March 31, 2008

	2008 (In thousands)	*2007* (In thousands)
Operating Expenses		
Supplies	**280**	260
Natural gas and hydro	**346**	329
Repairs and maintenance	**187**	119
Property taxes and insurance	**90**	97
Office	**62**	65
Departmental services and professional fees	**59**	55
Freight	**50**	43
Marketing	**17**	14
Travel	**25**	24
	1,116	1,006

Pineland Forest Nursery

An Agency of the Special Operating Agencies Financing Authority

Schedule 2 - Schedule of Public Sector Compensation Disclosure

For the year ended March 31, 2008

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to the Advisory Board members. During the fiscal year ended March 31, 2008, the following employees received compensation of $50,000 or more:

Employee	Title	Compensation
Trevor Stanley	General Manager	$ 86,000
David Flight	Manager	54,000
Richard Lepage	Manager	52,000
David Turchyn	Manager	55,000
Jacob Teichroeb	Manager	51,000

BDO Dunwoody LLP

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of THE PROPERTY REGISTRY, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008 and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2008

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(in thousands)

March 31	2008	2007
Assets		
Current Assets		
Cash and short-term investments	$ 12,469	$ 11,541
Customer deposits	1,404	1,343
Accounts receivable (Note 4)	509	313
Prepaid expense	76	76
Receivable from the Province of Manitoba (Note 3)	1,602	-
	16,060	13,273
Receivable from the Province of Manitoba (Note 3)	-	1,602
Capital assets (Note 5)	844	1,020
	$ 16,904	$ 15,895
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,127	$ 1,211
Deferred revenue	1,404	1,346
Land titles assurance fund (Note 7)	93	24
	2,624	2,581
Severance pay liability (Note 8)	1,519	1,448
	4,143	4,029
Commitments (Note 10)		
Retained earnings	12,761	11,866
	$ 16,904	$ 15,895

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings

(in thousands)

For the year ended March 31	2008	2007
Revenue		
Land transfer tax (Note 9)	$ 44,754	$ 38,199
Fee revenue - Land Titles	16,197	16,178
- Personal Property Registry	6,195	5,992
Cost recoveries and fee waiver (Note 2)	553	551
Interest income	385	399
	68,084	61,319
Less: Tax revenues transferred to Province	(44,754)	(38,199)
	23,330	23,120
Expenses		
Salaries and employee benefits	8,450	8,383
Operating expenses (per schedule)	3,732	3,930
Amortization	287	281
Contributed services	251	228
Relocation costs	-	389
	12,720	13,211
Net income (loss) and comprehensive income for the year	$ 10,610	$ 9,909
Retained earnings, beginning of year	$ 11,866	$ 10,957
Net income (loss) and comprehensive income for the year	10,610	9,909
Net income (loss) paid to the Province of Manitoba	(9,715)	(9,000)
Retained earnings, end of year	$ 12,761	$ 11,866

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(in thousands)

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	$ 10,610	$ 9,909
Adjustment for amortization	287	281
	10,897	10,190
Changes in non-cash working capital		
Customer deposits	(61)	(81)
Accounts receivable	(196)	180
Prepaid expenses	-	5
Accounts payable	(84)	286
Deferred revenue	58	76
Land titles assurance fund deposits	69	-
Severance payable	71	50
	(143)	516
	10,754	10,706
Cash Flows from Investing Activities		
Capital assets	(111)	(669)
Cash Flows from Financing Activities		
Net earnings paid to the Province of Manitoba	(9,715)	(9,000)
Net increase in cash and cash equivalents	928	1,037
Cash and cash equivalents, beginning of year	11,541	10,504
Cash and cash equivalents, end of year	$ 12,469	$ 11,541

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of Organization

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a management agreement with respect to The Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry is part of the Department of Finance under the general direction of the Assistant Deputy Minister for Consumer and Corporate Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue and Expenditure – Special Operating Agencies.

2. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents included cash on hand, balances with banks and short term deposits with original maturities of three months or less.

2. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost and amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable as follows:

Computer system	20% (10% in year of acquisition)
Office equipment	20%
Leasehold improvements	10%
Equipment under capital lease	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Revenue is recognized when the services have been performed. Investment income is recognized in the year it is received or receivable.

Cost Recoveries and Fee Waiver

Included in revenues are recoveries of costs or fees for services provided to other provincial government offices where no statutory provision precludes cost recovery.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

2. Significant Accounting Policies (continued)

New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one the following five categories: held for trading; available for sale, held to maturity; loans and receivable; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. Significant Accounting Policies (continued)

The Agency has designated its financial instruments as follows:

Cash and short-term investments and customer deposits are classified as financial assets held for trading and are measured at fair value and gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

Financial Instruments

The Agency's financial instruments consist of cash and short-term investments, customer deposits, accounts receivable, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of customer deposits, accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhances the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

3. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency on April 1, 1997. It also includes severance pay benefits earned by the Agency employees to March 31, 1998. The balance is comprised of:

	2008	2007
Vacation entitlements	$ 526	$ 526
Severance pay benefits	1,076	1,076
	$ 1,602	$ 1,602

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2008 to be held on The Property Registry's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

4. Accounts Receivable

The following items are included in accounts receivable:

	2008	2007
Trade receivables	$ 415	$ 227
Receivable from government and departments	94	86
	$ 509	$ 313

5. Capital Assets

	2008 Cost	2008 Accumulated Amortization	2007 Cost	2007 Accumulated Amortization
Computer system	$ 684	$ 437	$ 641	$ 350
Office equipment	1,242	843	1,193	680
Leasehold improvements	554	336	514	298
Equipment under capital lease	70	70	70	70
	$ 2,550	$ 1,686	$ 2,418	$ 1,398
Cost less accumulated amortization		$ 844		$ 1,020

6. Working Capital Advances

The Property Registry has an authorized line of working capital advance of $1,000 that was not utilized as of March 31, 2008 (Nil in 2007).

7. Land Titles Assurance Fund

Claims for loss as provided for in *The Real Property Act* are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defence against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund of the Province of Manitoba.

8. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2006. The report provides a formula to update the liability on an annual basis. The Property Registry's actuarially determined net liability for accounting purposes as at March 31, 2008 was $1,519 ($1,448 in 2007). Commencing in the 2007 fiscal year, the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

9. Land Transfer Tax

Land transfer tax is administered and collected by The Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of the Department of Finance under the advice of the Registrar General.

10. Commitments

The Agency has entered into a Memorandum of Understanding with Manitoba Infrastructure and Transportation (MIT) to lease it premises. The accommodation charges are established annually by MIT, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	Premises	Equipment	Total
2009	$ 968	$ 89	$ 1,057
2010	997	89	1,086
2011	1,027	89	1,116
2012	1,058	89	1,147
2013	1,090	89	1,179
Total minimum lease payments	$ 5,140	$ 445	$ 5,585

11. Pension Benefits

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF).

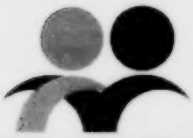
Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $326 ($331 in 2007). Under this agreement, the Agency has no further pension liability.

THE PROPERTY REGISTRY

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Operating Expenses
(in thousands)

March 31	2008	2007
Better Systems Initiative	$ 1,176	$ 1,223
Computer processing	341	365
Department services	68	68
Desktop services	406	428
Equipment lease	85	84
Interest and bank charges	32	30
Occupancy cost	839	763
Office supplies	162	155
Postage and delivery	109	114
Professional fees	46	79
Publications and subscriptions	22	21
Records preservation project	64	185
Repairs and maintenance	48	68
Software licensing	26	4
Special surveys	24	19
Sundry	12	30
Survey remonumentation program	118	150
Telephone	79	75
Training and staff development	63	57
Travel	12	12
	$ 3,732	$ 3,930



Public Trustee of Manitoba

155 Carlton St, Suite 500
Winnipeg, MB R3C 5R9
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 23, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of The Public Trustee are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Public Trustee has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

Joanna K. Knowlton
Public Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba,
To the Public Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of The Public Trustee of Manitoba, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2008, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Public Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 23, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2008

ASSETS

	2008	2007
Current		
Cash	$ 91	$ 139
Accounts receivable (Note 3)	751	856
Prepaid expenses	4	3
Short-term investments with Minister of Finance	1,420	1,360
Receivable from Province of Manitoba (Note 4)	515	
	2,781	2,358
Receivable from Province of Manitoba (Note 4)		515
Capital Assets (Note 5)	139	144
	$ 2,920	$ 3,017

LIABILITIES

Current		
Accounts payable and accrued liabilities (Note 6)	$ 480	$ 423
Severance pay benefits (Note 15)	424	468
	904	891

EQUITY

Revenue stabilization reserve (Note 14)	500	500
Retained earnings	1,516	1,626
	2,016	2,126
	$ 2,920	$ 3,017

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

(In Thousands)

YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Fees (Note 8)	$ 5,174	$ 5,186
Interest	68	71
Other	87	101
	5,329	5,358
Expenses		
Amortization of capital assets	37	35
Accommodation costs (Note 10)	356	356
Other administration expenses (Note 9)	884	876
Salaries and benefits	4,023	4,019
Pension benefits (Note 16)	139	142
	5,439	5,428
Net Income (Loss) and comprehensive Income (Loss)	(110)	(70)
Retained earnings, beginning of year	1,626	1,696
Retained earnings, end of year	$ 1,516	$ 1,626

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

	2008	2007
Cash derived from (applied to)		
Operating		
Net income and comprehensive income	$ (110)	$ (70)
Items not involving cash		
Amortization of capital assets	37	35
	(73)	(35)
Change in		
Accounts receivable	105	(57)
Prepaid expenses	(1)	2
Accounts payable and accrued liabilities	57	11
	88	(79)
Investing		
Acquisition of capital assets	(32)	(47)
Financing		
Severance pay benefits	(44)	(6)
Net increase in cash and cash equivalents	12	(132)
Cash and cash equivalents		
Beginning of year	1,499	1,631
End of year	$ 1,511	$ 1,499
Cash and cash equivalents consist of:		
Cash	$ 91	$ 139
Short-term investments with Minister of Finance	1,420	1,360
	$ 1,511	$ 1,499

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2008

1. Nature of organization

The Public Trustee protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, The Public Trustee was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Public Trustee is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Public Trustee operations. It finances The Public Trustee through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists The Public Trustee to sustain the provision of high quality service to her clients.

A Management Agreement between SOAFA and the Minister of Justice assigns responsibility to The Public Trustee to manage and account for Public Trustee related assets and operations on behalf of SOAFA.

The Public Trustee continues to be part of Manitoba Justice. The Public Trustee is a corporation sole with perpetual succession. As a corporate entity, The Public Trustee functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by her.

The Public Trustee remains bound by relevant legislation and regulations. The Public Trustee is also bound by administrative policy except where specific exemptions have been provided for in her charter in order to meet business objectives.

2. Significant accounting policies

a) Basis of reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

b) New Accounting Policies

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the Agency has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Agency has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments – Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair valued with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

c) Revenue recognition

i. Administration fees are charged to client accounts quarterly based on the anniversary date of the account in accordance with provisions of *The Public Trustee Act*. The fees revenue recognized in a year consists of all fees charged, accruals and adjustments made to accounts.

ii. Other fees are recognized as revenue when charged to an account and could be subject to adjustment on closing.

iii. Statutory fees are recognized as revenue when received.

d) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Furnishings and equipment	-	20%, declining balance
Computer equipment and software	-	20%, straight-line, 10% in year of acquisition, software purchases less than $1 are expensed in year of acquisition
Leasehold improvements	-	20%, straight-line

e) Financial instruments

The Agency's financial instruments consist of cash, accounts receivable, investments, and accounts payable. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

f) Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

g) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535; *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

3. Accounts receivable

	2008	2007
Fees receivable	$ 767	$ 827
Allowance for doubtful accounts	(33)	(35)
	734	792
Interest receivable	5	8
Miscellaneous receivable	3	41
Advances to client accounts	3	9
Cost recoveries	6	6
	$ 751	$ 856

4. Receivable from Province of Manitoba

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Public Trustee of Manitoba's behalf until the cash is required to discharge the related liabilities. Accordingly, these receivables are classified as current.

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furnishings & equipment	$ 308	$ 220	$ 293	$ 199
Computer equipment & software	116	87	109	79
Leasehold Improvements	34	12	25	5
	$ 458	$ 319	$ 427	$ 283
Cost less accumulated amortization		$139		$ 144

6. Accounts payable and accrued liabilities

	2008	2007
Operating expenses payable	$ 108	$ 43
Salaries and benefits payable	18	10
Vacation entitlements earned	332	338
GST payable to Canada Revenue Agency	22	32
	$ 480	$ 423

7. Working capital

The Agency has an authorized line of working capital of $1,000 through SOAFA, which was unused and available at March 31, 2008.

8. Fees revenue

	2008	2007
Administration	$ 4,533	$ 4,458
Legal	275	283
Income tax	200	273
Inspection	166	172
	$ 5,174	$ 5,186

9. Other Administration expenses

	2008	2007
Computer expenses	$ 449	$ 462
Courier charges	5	5
Insurance, loss, damage	40	33
Office supplies	46	55
Other	3	11
Personnel	27	27
Photocopy	10	10
Postage	50	51
Professional fees	75	40
Publications	5	4
Public communications	13	23
Records Centre Charges	19	16
Rentals, equipment	4	3
Repairs and maintenance	9	4
SAP costs	6	7
Support services - Department of Justice	21	21
Telephone	49	50
Travel	53	54
	$ 884	$ 876

10. Commitments

The Public Trustee has an arrangement with the Province of Manitoba, through the Department of Infrastructure and Transportation, for rental of its facilities at 155 Carlton Street in Winnipeg and its facility in the Provincial Building in Brandon. Accommodation costs are estimated to be $363 for the year ended 2008/2009.

11. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

12. Escheats to the Crown

Escheats to the Crown, received by The Public Trustee during the year and remitted to the Minister of Finance, amounted to $75 (2007 - $41). These amounts are not reflected in these financial statements.

13. Estates and trusts under administration

The client assets under administration at March 31, 2008 total approximately $192,000 (2007 - $185,000). The trust activities of The Public Trustee are reported in separate Estates and Trusts under Administration financial statements.

14. Revenue stabilization reserve

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses.

15. Severance pay benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Public Trustee's actuarially determined net liability for accounting purposes as at March 31, 2008 was $424 (2007 - $468). Commencing in the 2006 fiscal year the actuarial loss of $113 is being amortized over the 15 year expected average remaining service life of the employee group.

16. Pension benefits

Employees of The Public Trustee are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Public Trustee, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Public Trustee transferred to the Province the pension liability for her employees. Commencing April 1, 2001, The Public Trustee was required to pay to the Province an amount equal to her employees' current pension contributions. The amount paid for 2008 was $139 (2007 - $142). Under this agreement, The Public Trustee has no further pension liability.

17. Contingent Liabilities

The Public Trustee has identified an issue which may result in liability on the part of the SOA. Certain payments have been made by way of an advance on the anticipated settlement or award. The claim amount can not be reasonably estimated at the year end.

18. Public Sector Compensation Disclosure Act

It is a requirement of *The Public Sector Compensation Disclosure Act* that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2008, the following employees received compensation in excess of $50:

Employee	Position	Amount
Bolton, M. Anne Q.C.	Senior Legal Officer	$ 103
Carroll, Jori	Investment Officer	52
Clark, Dwane	Estates Officer 3	53
Darrach, Bruce	Information Technologist 3	71
Fergusson, John	Legal Counsel 3	123
Fredborg, Darren	Estates Officer 3	50
Henderson, Karen	Estates Officer 3	51
Hyman, Brian	Legal Counsel 1	72
Kihn, Shirley	Estates Officer 3	54
Knowlton, Joanna	Senior Legal Officer	126
Kozusko, Norman	Information Technologist 4	78
Lacroix, Paul	Estates Officer 3	54
Leonard, Joan	Clerk 4	56
Matyi, Angele	Estates Officer 3	53
Mosley, James	Estates Officer 3	54
Regier, Barbara	Estates Officer 3	54
Samagalski, Michelle	Estates Officer 4	57
Saper, Michelle	Estates Officer 3	51
Shapiro, Laurie	Estates Officer 4	56
Sohor, Richard	Finance Officer 6	71
Taylor, Jana	Legal Counsel 2	83
Tessier, Rachelle	Estates Officer 4	59
Winning, Marla	Estates Officer 4	59

BULAT & POUSTIE
CHARTERED ACCOUNTANTS

1700 Ness Avenue
Winnipeg, Manitoba R3J 3Y1

Telephone: (204) 831-1700
Fax: (204) 831-7812

AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

We have audited the balance sheet of **Vital Statistics Agency**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at **March 31, 2008** and the statements of earnings and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BULAT & POUSTIE

Bulat & Poustie

Winnipeg, Manitoba
May 16, 2008

CHARTERED ACCOUNTANTS

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
AS AT MARCH 31, 2008

	2008	2007
ASSETS		
CURRENT		
Cash and short term deposits, notes 5 and 13	$ 1,326	$ 1,152
Accounts receivable, note 6	134	463
Receivable from Province of Manitoba, note 7	94	-
Inventory, note 2	96	45
Prepaid expenses	42	17
	1,692	1,677
RECEIVABLE FROM PROVINCE OF MANITOBA, note 7	-	94
CAPITAL ASSETS, notes 2 and 8	1,261	563
	$ 2,953	$ 2,334
LIABILITIES		
CURRENT		
Accounts payable and accrued	$ 297	$ 65
Deferred revenue, notes 2 and 9	590	523
Accrued unused vacation entitlements	140	136
	1,027	724
SEVERANCE PAY LIABILITY, note 11	163	176
	1,190	900
COMMITMENTS, note 12		
EQUITY		
RETAINED EARNINGS	1,763	1,434
	$ 2,953	$ 2,334

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
REVENUE		
Net sales	$ 3,441	$ 3,203
Proceeds from government departments	197	129
Interest	56	26
	3,694	3,358
EXPENSES		
Salaries and employee benefits	1,866	1,708
Operating expenses, Schedule 1	1,009	933
Amortization	210	171
	3,085	2,812
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE YEAR	$ 609	$ 546

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
RETAINED EARNINGS, BEGINNING OF YEAR	**$ 1,434**	$ 1,068
Net earnings and comprehensive income for the year	**609**	546
	2,043	1,614
Revenue sharing payment to Province of Manitoba	**280**	180
RETAINED EARNINGS, END OF YEAR	**$ 1,763**	$ 1,434

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings and comprehensive income for the year	$ 609	$ 546
Adjustments for		
Amortization	210	171
Severance pay expenses	36	25
	855	742
Changes in the following:		
Accounts receivable	329	(398)
Inventory	(51)	6
Prepaid expenses	(25)	-
Accounts payable	232	(52)
Deferred revenue	67	416
Accrued unused vacation entitlements	4	(13)
	1,411	701
CASH FLOWS FROM FINANCING ACTIVITIES		
Revenue sharing payment to Province of Manitoba	(280)	(180)
Severance pay payments	(49)	(58)
	(329)	(238)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(908)	(60)
INCREASE IN CASH AND SHORT TERM DEPOSITS	174	403
CASH AND SHORT TERM DEPOSITS, BEGINNING OF YEAR	1,152	749
CASH AND SHORT TERM DEPOSITS, END OF YEAR	$ 1,326	$ 1,152
Supplementary information:		
Interest received	$ 55	$ 23

The accompanying notes are an integral part of the financial statements

1. ENTITY DEFINITION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Agency in delivering regulated services to clients through administration of three major Acts: The Vital Statistics Act, The Change of Name Act, and The Marriage Act. The Agency also handles disinterment's under the Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the the public interest.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister and Assistant Deputy Minister who is also Chairperson of Vital Statistics Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Inventory

Inventory of certificates and pre-printed forms are valued at cost. Cost is generally determined on a first-in, first-out method.

Capital Assets

Capital assets are recorded at cost. Amortization is provided for as follows:

	Rate	Method
Data conversion	20 %	Declining balance
Furniture and fixtures	20 %	Straight line
Information system	20 %	Declining balance
Leasehold improvements	20 %	Straight line
National Routing System - computer equipment and software	20 %	Declining balance
Office equipment	20 %	Straight line
Security equipment	20 %	Straight line

Deferred Revenue and Revenue Recognition

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as deferred revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

Significant Accounting Policies - continued

Effective April 1, 2007 the Agency adopted the following new accounting standards issued by the Canadian Institute of Charterec Accountants (CICA):

Section 1506, Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising from translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedge instruments. The Agency has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the entity has no items related to other comprehensive income, comprehensive income is equivalent to net earnings for the year.

Section 3855, Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable and receivable from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the Agency's financial statements for the year ended March 31, 2008.

Significant Accounting Policies - continued

Financial Instruments

Fair market value

Financial instruments of the Agency consist mainly of cash and short term deposits, accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturity.

Interest, currency and credit risk

Interest risk is the risk to the Agency's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Agency does not use derivative instruments to reduce its exposure to interest risk. The Agency is exposed, in its normal course of business, to credit risk from its customers. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Measurement Uncertainty

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual amounts could differ from these estimates.

3. FUTURE ACCOUNTING POLICY CHANGES

Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation

The CICA has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Section 1535, Capital Disclosures

The CICA has also issued a new standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

This accounting policy change, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

Future Accounting Policy Changes - continued

Section 3031, Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030: Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Agency will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) The Agency does not expect that the adoption of this new Section will have a material impact on its financial statements.

4. WAIVER OF FEES

The Agency charges no fee for services in exchange for services from the following organizations:

(a) The Manitoba Development Centre, health care facilities, the Chief Medical Examiner's Office (Manitoba Justice), the Manitoba Funeral Association and the Department of Anatomy of the University of Manitoba as they provide services in accordance with The Vital Statistics Act.

(b) Child and Family Services Regional Operations of Manitoba Family Services to act as issuers of Marriage Licences and handling related administrative duties.

(c) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

(d) Statistics Canada for national tabulation and statistical information. Statistics Canada provides payment for the microdata and microfilm records from the Vital Statistics Agency and provides half of the cost of printing registration forms.

(e) Health and Welfare Canada (Indian and Northern Affairs).

Services provided under the above agreements are valued at $5 for the year ended March 31, 2008 (2007 - $5).

The Agency provides services without compensation to victims of crimes as follows:

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificate stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba. Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide police incident number.

Service provided under the above arrangement are valued at $13 for the year ended March 31, 2008 (2007 - $16).

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

5. CASH AND TERM DEPOSITS

	2008	2007
Cash on hand and balances in bank	$ 38	$ 115
Term deposits	1,288	1,037
	$ 1,326	$ 1,152

Term deposits interest rates range from 2.35% to 4.05% and maturity dates range from April 1, 2008 to June 26, 2008.

6. ACCOUNTS RECEIVABLE

	2008	2007
Trade	$ 80	$ 93
Interest	6	5
Federal government - Statistics Canada	53	371
	139	469
Allowance for doubtful accounts	5	6
	$ 134	$ 463

Federal government - Statistics Canada

The Agency agreed on March 7, 2007 with Statistics Canada to join the National Routing System (NRS) where the Agency is responsible for the procurement, development testing and implementation of the messaging solution to enable secure and timely notification of vital events data between provinces and federal organizations. Funds advanced to the Agency are to be used for the specific purpose of the agreement (Note 9).

7. RECEIVABLE FROM PROVINCE OF MANITOBA

The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for severance pay benefits. These payments will be placed in an interest bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2008

8. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Data conversion	$ 1,509	$ 894	$ 1,078	$ 794
Furniture and fixtures	118	111	118	108
Information system	1,220	989	1,177	937
Leasehold improvements	86	84	86	83
National Routing System - Computer equipment and software	402	41	-	-
Office equipment	179	163	179	153
Security equipment	74	45	42	42
	3,588	2,327	2,680	2,117
Net Book Value	$ 1,261		$ 563	

9. DEFERRED REVENUE

	2008	2007
Trade	$ 207	$ 152
Federal government	383	371
	$ 590	$ 523

The deferred revenue from the federal government is a result of funds advanced from Statistics Canada for the NRS project (Note 6). The Agency is matching the amortization of the capital expenditures purchased with these restricted funds. The amount deferred represents the total funds advanced of $424 (2007 - $371) less $41 (2007 - $nil) amortized into income. Total income recognized for the year was $41 (2007 - $nil) and is included in proceeds from government departments on the statement of earnings.

10. PENSION BENEFITS

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA) administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Vital Statistics Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Vital Statistics Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2008 was $60 (2007 - $61). Under this agreement, the Agency has no further pension liability.

11. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Vital Statistics Agency's actuarially determined net liability for accounting purposes as at March 31, 2008 was $163 (2007 - $176). Commencing in the 2006 fiscal year, the actuarial loss of $37 is being amortized over the 15 year expected average remaining service life of the employee group.

12. COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2009 are estimated to be $200 (2008 - $205).

The Agency has entered into an agreement with an unrelated party who is to convert all birth registration forms to a useable electronic format to be imported into its electronic records management system. The Agency has agreed to total payments, inclusive of all fees, costs and expenses and exclusive of applicable taxes to not exceed $696. The Agency has recorded and capitalized $431 which includes $28 of taxes as data conversion costs to March 31, 2008.

The Agency also plans to convert its other registration forms but has not entered into any agreements at the report date.

13. FINANCING ARRANGEMENTS

Working capital advances and long term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $250 limit for working capital advances for the Agency. The Agency has accessed $42 (2007 - $nil) working capital advances at March 31, 2008 and has netted this amount with cash.

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Accommodation	$ 205	$ 193
Advertising	24	35
Bad debts	-	5
Central government charges	68	67
Computer information system	193	194
Office equipment support	24	24
Office supplies	24	18
Other operating expenses	45	46
Printed material supplies	103	73
Professional fees	61	43
Supplies for mechanized systems	18	10
Telecommunications	39	33
Training	6	3
Transportation and freight	199	189
	$ 1,009	$ 933

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Schedule 2

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2008

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2008	2007
Caroline Kaus	Chief Operating Officer	$ 108	$ 88
Susan Boulter	Chief Operating Officer	90	-
Edwin Norrington	Manager of Finance, Administration and Marketing	62	56
Janet Usher	Assistant Director	60	61
Lucy Lutrzykowski	Supervisor Application Processing	53	-
Doreen Payette	Processing Clerk	50	
Rudy Gerling	Manager of Finance, Administration and Marketing	-	68
Lorraine Turzak	Supervisor Application Processing	-	53
Frances Beer	Supervisor Registration Systems	-	51
Patricia Dumontet	Registration Clerk	-	50
Evelyn Austin	Registration Clerk	-	50

KPMG

KPMG LLP
Chartered Accountants
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the statement of financial position of Sport Manitoba Inc. as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 22, 2008

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	$ 1,097,772	$ 821,562
Marketable securities [note 2(e)]	104,040	100,000
Accounts receivable	653,161	502,514
Inventories	26,180	27,485
Prepaid expenses and deposits	80,991	110,341
	1,962,144	1,561,902
Capital assets (note 4):		
Furniture, equipment and leasehold improvements	1,053,595	1,021,553
Accumulated amortization	926,973	842,154
	126,622	179,399
	$ 2,088,766	$ 1,741,301
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,042,603	$ 1,015,912
Deferred contributions for expenses of future periods (note 6)	491,092	157,101
	1,533,695	1,173,013
Net assets:		
Unrestricted [note 7(a)]	195,577	190,932
Internally restricted [note 2(d)]:		
Initiatives program	97,957	97,957
Coaching	30,875	–
Princess Royal Pan Am Scholarship endowment [note 2(e)]	104,040	100,000
Invested in capital assets	126,622	179,399
	555,071	568,288
Facility Development Fund trust assets (note 5)		
Commitments (note 7)		
Subsequent event (note 8)		
	$ 2,088,766	$ 1,741,301

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Province of Manitoba:		
Program support	$ 10,998,000	$ 10,815,000
Bingo allocation	160,700	138,907
Other grants	100,000	–
Government of Canada support	115,000	–
Other income	308,503	297,225
Bilateral funding:		
Province of Manitoba	230,023	209,831
Federal Government	230,023	209,831
	12,142,249	11,670,794
Expenses:		
Grants:		
Sport groups for sport development	7,443,077	7,109,730
Manitoba Sports Hall of Fame and Museum Incorporated (note 8)	65,000	65,000
Bilateral sport development programs	496,617	503,761
Administration and services provided to sport groups:		
Occupancy	1,729,663	1,689,802
Operating	473,267	603,153
Administration	1,407,361	1,257,863
Member services	1,376,375	1,222,475
Costs recovered from sport groups	(885,798)	(960,463)
Amortization	84,819	86,440
	12,190,381	11,577,761
Excess (deficiency) of revenue over expenses	$ (48,132)	$ 93,033

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2008, with comparative figures for 2007

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2008 Total	2007 Total
Net assets, beginning of year	$ 190,932	$ 97,957	$ –	$ 100,000	$ 179,399	$ 568,288	$ 475,255
Excess (deficiency) of revenue over expenses	36,687	–	–	–	(84,819)	(48,132)	93,033
Capital assets acquired	(32,042)	–	–	–	32,042	–	–
Change in unrealized gain on endowment investments	–	–	–	4,040	–	4,040	–
Internally imposed restriction	–	–	30,875	–	–	30,875	–
	$ 195,577	$ 97,957	$ 30,875	$ 104,040	$ 126,622	$ 555,071	$ 568,288

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (48,132)	$ 93,033
Items not involving cash:		
Amortization	84,819	86,440
Change in non-cash operating working capital	271,565	(394,027)
	308,252	(214,554)
Financing and investing activities:		
Additions to capital assets	(32,042)	(102,475)
Increase (decrease) in cash	276,210	(317,029)
Cash, beginning of year	821,562	1,138,591
Cash, end of year	$ 1,097,772	$ 821,562

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Notes to Financial Statements

Year ended March 31, 2008

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires March 31, 2010.

2. Significant accounting policies:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as an increase in net assets when received.

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Computers	3 years
Furniture and equipment	5 years
Print shop equipment	15 years

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

2. Significant accounting policies (continued):

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures greater than $5,000 must be approved by the Board.

During the year, the organization entered into an agreement with Coaching Manitoba Inc. whereby all assets of Coaching Manitoba Inc. were transferred and all obligations and liabilities were assumed by the organization. In connection with the transfer, $30,875 of net assets were internally restricted by the Board of Directors for coaching initiatives.

(e) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Future accounting changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 - *Capital Disclosures*, Handbook Section 3862 - *Financial Instruments - Disclosures* and Handbook Section 3863 - *Financial Instruments - Presentation*. These new standards apply to the organization effective April 1, 2008.

2. Significant accounting policies (continued):

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 - *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The organization is currently assessing the impact that these new standards will have on its financial statements for the year ending March 31, 2009.

3. Change in accounting policy:

The organization adopted the new CICA Handbook Section 3855 - *Financial Instruments - Recognition and Measurement* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the organization designated cash and marketable securities as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The organization has neither available-for-sale nor held-to-maturity instruments.

3. Change in accounting policy (continued):

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on net assets. The impact of Section 3855 for the year ended March 31, 2008 was an increase to marketable securities and the Princess Royal Pan Am Scholarship endowment of $4,040.

4. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Computers	$ 170,562	$ 138,885	$ 31,677	$ 37,411
Furniture and equipment	333,391	323,367	10,024	10,730
Print shop equipment	403,604	318,683	84,921	125,800
Leasehold improvements	146,038	146,038	–	5,458
	$ 1,053,595	$ 926,973	$ 126,622	$ 179,399

5. Facility Development Fund trust assets:

In accordance with the previous funding agreement with the Province of Manitoba, the organization is holding at March 31, 2008 $11,849 (2007 - $11,313) of cash in trust for the Facility Development Fund. The Facility Development Fund is administered by advisory representatives from Sport Manitoba Inc. and the Provincial Government. These assets together with the related obligation, interest income and administrative expenses have not been recorded in these financial statements for financial reporting purposes.

5. Facility Development Fund trust assets (continued):

Facility Development Fund trust assets are comprised of the following:

Initial contribution	$ 4,137,303
Interest earned to date	1,892,360
Administrative expenses paid to date	(292,236)
Projects funded	(5,725,578)
	$ 11,849

The previous Advisory Board approved 102 rural sport facility capital projects under Phase I, II, III and IV of the rural sport facility program which have been fully funded in the amount of $5,725,578.

6. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2008	2007
Balance, beginning of year	$ 157,101	$ 243,325
Contributions received	411,335	485,459
Contributions repaid	(57,925)	(148,350)
Amounts amortized to revenue	(19,419)	(423,333)
Balance, end of year	$ 491,092	$ 157,101

Deferred contributions for expenses of future periods are comprised of the following:

	2008	2007
Sport Legacy Trust (note 10)	$ 41,155	$ –
Western Canada Summer Games, future bids, and costs for storage of equipment	104,837	157,101
2010 Olympics	325,000	–
Manitoba Games	20,100	–
	$ 491,092	$ 157,101

Deferred contributions related to the 2010 Olympics represents funding received from the Province of Manitoba to attract Olympic and Paralympic related sport and training events to Manitoba leading up to the Vancouver 2010 Winter Olympic and Paralympic Games.

7. Commitments:

(a) The organization rents its premises under an operating lease which expires in 2008. The minimum base rental payments in the next fiscal year are $522,786.

On May 15, 2006, the organization received notice from their landlord that its premises lease would not be renewed upon expiry in December 2008. As a result, the organization has commenced a feasibility study to investigate options available for relocation of their Administration Centre. The organization plans to fund the costs of the feasibility study and relocation expenses from unrestricted net assets.

(b) The organization has made a commitment to fund a best ever project for the National Men and Women Volleyball Centre in the amount of $75,000 for the year ending March 31, 2009, subject to the present levels of funding from the Province of Manitoba being maintained.

(c) The organization has an agreement with Canadian Sport Centre Manitoba Inc. to provide funding for the implementation of programs and services in support of the pursuit of excellence by high performance athletes and coaches in Manitoba. The terms of this agreement have committed the organization to provide funding of $190,000 for the year ending March 31, 2009, subject to the present levels of funding from the Province of Manitoba being maintained.

(d) The organization has an agreement with the Manitoba Games Council to provide funding in support of The Manitoba Games summer and winter programs. The terms of the agreement have committed the organization to provide funding of $345,000 to the games annually, subject to present levels of funding from the Province of Manitoba being maintained and the annual approval by the Board of Directors. The term of the agreement will expire March 31, 2010.

8. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes. The financial statements of the Hall of Fame have not been consolidated with those of the organization. During the year the organization provided the Hall of Fame with an operating grant of $65,000 (2007 - $65,000).

Subsequent to year end, on April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization where certain services are provided by the organization to the Hall of Fame.

8. Manitoba Sports Hall of Fame and Museum Incorporated (continued):

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

		2008		2007
Assets	$	77,918	$	87,054
Liabilities	$	78,586	$	98,151
Net assets		(668)		(11,097)
	$	77,918	$	87,054
Revenues	$	252,240	$	186,153
Expenses		241,811		191,692
Excess (deficiency) of revenues over expenses	$	10,429	$	(5,539)

9. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

		2008		2007
Assets	$	1,345,662	$	1,319,966
Liabilities	$	65,110	$	83,292
Deferred contributions		394,907		401,391
Unrestricted net assets		80,645		30,283
Pan Am Games Legacy endowment		805,000		805,000
	$	1,345,662	$	1,319,966
Revenue	$	64,753	$	55,186
Expenses		18,780		17,669
Excess of revenue over expenses	$	45,973	$	37,517

9. Manitoba Foundation for Sports Inc. (continued):

The deferred contributions have been restricted by the donors and are not available for distribution for a minimum of ten years from the date of receipt.

During the year, the Foundation provided $15,980 (2007 - $15,000) of scholarship grants to Manitoba athletes.

10. The Sports Legacy Trust:

In accordance with the discretion of the trustees of The Sports Legacy Trust to dissolve the trust, and by resolution unanimously adopted by the trustees, all residual capital of the trust was distributed to the organization. The residual capital of $41,155 has been distributed to the organization as a capital beneficiary under the terms of the trust agreement and is to be used to preserve and/or display Manitoba's sport heritage. The capital has been recorded as a deferred contribution in the financial statements of the organization restricted for future sport heritage expenses.

11. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2008 was $89,101 (2007 - $84,029).

12. Financial instruments:

Fair values:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short term to maturity.

Credit risk:

The organization is subject to credit risk related to accounts receivable. This risk is alleviated based on the relationship the organization has with the organizations with which the accounts receivable exist.

N. D. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS
Kenneth B. Eisner, CGA *
Mary G. Chalmers, CGA *
* Professional Corporations

Winnipeg, MB
R3J 0E8

Tel: (204) 982-4660
Fax: (204) 982-4665

AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2008 and the statements of net operations, surplus (deficit), and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

TIRE STEWARDSHIP BOARD

BALANCE SHEET

	March 31	
	2008	2007
ASSETS		
CURRENT		
Petty cash	$ 100	$ 100
Cash	99,105	11,758
Accounts receivable	299,338	271,943
Grants receivable		122,999
Prepaid expenses	5,874	74,111
	404,417	480,911
EQUIPMENT		
Furniture and equipment (note 3)	1,435	1,962
	$ 405,852	$ 482,873

APPROVED ON BEHALF OF THE BOARD

Director

Director

This is the Balance Sheet referred to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF NET OPERATIONS

	Year Ended March 31	
	2008	2007
REVENUE		
Tire levy	$ 2,508,640	$ 2,358,076
Interest	6,768	3,235
Grants		544,995
Write-off of loan		300,000
	2,515,408	3,206,306
DIRECT EXPENSE		
Collection services	30,000	30,000
Levy commissions	2,426	2,391
Payments to processors	2,158,427	2,474,196
Payments to municipalities	3,616	11,250
	2,194,469	2,517,797
GROSS MARGIN	320,939	688,509
ADMINISTRATIVE EXPENSES		
Consulting	2,700	2,700
Travel	11,440	13,081
	14,140	15,781
NET OPERATIONS	$ 306,799	$ 672,728

This is the Statement of Net Operations (Deficit) referred to in the Auditors' Report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Ennos & Co.

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS (DEFICIT)

	Year ended March 31	
	2008	2007
SURPLUS (DEFICIT) – Beginning of year	$ 296,157	$ (58,571)
NET OPERATIONS	93,236	354,728
SURPLUS – End of year	$ 389,393	$ 296,157

This is the Statement of Surplus referred to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. B. Pincott & Co.
Chartered Accountants

TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended March 31	
	2008	2007
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Net operations	$ 93,236	$ 354,728
Item not involving cash		
Amortization	527	573
	93,763	355,301
Changes in non-cash working capital balances	(6,416)	(390,071)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	87,347	(34,770)
CASH AND EQUIVALENTS - Beginning of year	11,698	46,468
CASH AND EQUIVALENTS - End of year	$ 99,045	$ 11,698

This is the Statement of Changes in Financial Position referred
to in the Auditors' report dated July 16, 2008.
The accompanying notes are an integral part of these financial statements.

K. P. Bauer & Co.
Chartered Professional Accountants

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 1 – AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

The Board is a not-for-profit association and, accordingly, no provision for corporate taxes is provided for pursuant to Section 149(1)(l) of The Income Tax Act, Canada.

The purpose of the Tire Stewardship Board is to recycle scrap tires, diverting them from the waste stream into reusable products or material for resale.

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

NOTE 3 - EQUIPMENT

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Computer equipment	$ 17,309	$ 16,366	$ 943	$ 1,347
Furniture and fixtures	7,915	7,423	492	615
	$ 25,224	$ 23,789	$ 1,435	$ 1,962

NOTE 4 - SEVERANCE

Severance was paid to the assistant manager resulting in total salary paid exceeding $50,000 for the year.

NOTE 5 - FUTURE DIRECTION OF THE TIRE STEWARDSHIP BOARD

The Province of Manitoba has approved in principle a long term strategy whereby an industry-led Tire Stewardship Board would establish levies and set credit payments to recyclers under an extended producer responsibility, industry led model. This proposed program has no direct financial implications for The Province of Manitoba and takes effect subsequent to the finalization of the Tire Stewardship Board completing its final responsibilities. The entity is incorporated and operates under the name Tire Stewardship Manitoba effective April 1, 2008.

The Tire Stewardship Board has still to complete, in conjunction with Tire Stewardship Manitoba, the OTR clean up of off-road tires as outlined in the agreements entered into, subsequent to March 31, 2008, with two recyclers. This program will basically utilize all remaining funds and result in the wind up of the Tire Stewardship Program under the auspices of The Province of Manitoba.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Members of
TRAVEL MANITOBA

We have audited the statement of financial position of **TRAVEL MANITOBA** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 9, 2008

TRAVEL MANITOBA
Statement of Financial Position

As at March 31	2008	2007
Assets		
Current Assets		
Cash (Note 3)	$ 1,197,632	$ 1,075,215
Short-term deposits (Note 3)	213,686	205,381
Trade accounts receivable	960,073	326,767
Prepaid expenses	34,595	44,865
	2,405,986	1,652,228
Due from the Province of Manitoba (Note 4)	278,473	299,967
Capital assets (Note 5)	119,765	56,034
	$ 2,804,224	$ 2,008,229
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,390,595	$ 1,165,631
Deferred revenue	30,447	107,080
	1,421,042	1,272,711
Severance pay benefits (Note 4)	373,884	310,819
	1,794,926	1,583,530
Commitments (Note 7)		
Net Assets (Page 5)		
Unrestricted	814,533	293,665
Restricted for purchase of capital assets	75,000	75,000
Invested in capital assets	119,765	56,034
	1,009,298	424,699
	$ 2,804,224	$ 2,008,229

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

TRAVEL MANITOBA
Statement of Operations

For the year ended March 31	2008	2007
Revenue		
Province of Manitoba	**$ 7,544,300**	$ 7,476,600
Partnership and leveraged marketing	**477,066**	650,181
Western Diversification Program	**644,553**	-
Other	**99,341**	46,792
	8,765,260	8,173,573
Expenditures		
Marketing and product development	**5,741,453**	6,028,643
Visitor services	**1,392,116**	1,210,896
Corporate services	**782,051**	709,529
Contribution to Homecoming Inc.	**250,000**	-
Amortization	**15,041**	7,190
	8,180,661	7,956,258
Excess of revenue over expenditures for the year (Page 5)	**$ 584,599**	$ 217,315

TRAVEL MANITOBA
Statement of Changes in Net Assets

For the year ended March 31				2008	2007
	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	Total	Total
Net assets, beginning of year	$ 293,665	$ 75,000	$ 56,034	$ 424,699	$ 207,384
Excess (deficiency) of revenue over expenditures for the year (Page 4)	599,640	-	(15,041)	584,599	217,315
Acquisition of capital assets	(78,772)	-	78,772	-	-
Net assets, end of year (Page 3)	$ 814,533	$ 75,000	$ 119,765	$ 1,009,298	$ 424,699

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

TRAVEL MANITOBA
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 584,599**	$ 217,315
Adjustment for non cash items		
Amortization	**15,041**	7,190
	599,640	224,505
Changes in non-cash working capital		
Due from the Province of Manitoba - Operating grant	**-**	624,700
Trade accounts receivable	**(633,306)**	(4,289)
Prepaid expenses	**10,270**	(25,386)
Accounts payable and accrued liabilities	**224,964**	253,025
Deferred revenue	**(76,633)**	(57,685)
	(474,705)	790,365
Due from Province of Manitoba	**21,494**	68,970
Severance pay liability	**63,065**	23,256
	209,494	1,107,096
Cash Flows from Investing Activities		
Acquisition of capital assets	**(78,772)**	(29,655)
Net change in short-term deposits	**(8,305)**	(9,479)
	(87,077)	(39,134)
Net increase in cash and cash equivalents	**122,417**	1,067,962
Cash and cash equivalents, beginning of year	**1,075,215**	7,253
Cash and cash equivalents, end of year	**$ 1,197,632**	$ 1,075,215

TRAVEL MANITOBA
Summary of Significant Accounting Policies

As at March 31, 2008

Basis of Reporting

The financial statements of the Organization have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Computer hardware	30% straight-line
Computer software	30% straight-line
Furniture and equipment	5% straight-line
Leasehold improvements	5% straight-line

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The Organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Organization's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of short-term deposits. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

As at March 31, 2008

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of trade accounts receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

As at March 31, 2008

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Organization, are as follows:

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

As at March 31, 2008

1. Nature of Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. Change in Accounting Policy

On April 1, 2007, the Organization retroactively adopted, without restatement of prior periods, CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3865, "Hedges". These new Handbook Sections provide comprehensive requirements of the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Under these new standards, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair market value or, in limited circumstances, at cost or amortized cost.

The adoption of these new standards had no material impact on the Organization's statement of operations.

3. Cash and Short-term Deposits

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

4. Severance Pay Benefits

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the organization as severance benefits are paid to employees on record as at April 1, 2005. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2008. The report provides a formula to update the liability on an annual basis. The Organization's actuarially determined net liability for accounting purposes as at March 31, 2008 was $373,884.

During the year, the Organization reduced the receivable from the government in the amount of $21,494 related to employees no longer employed by the Organization.

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	$ 73,664	$ 9,721	$ 3,240	$ 2,065
Computer software	29,503	16,631	24,403	11,394
Furniture and equipment	8,715	1,056	7,277	710
Leasehold improvements	38,153	2,862	36,343	1,060
	$ 150,035	$ 30,270	$ 71,263	$ 15,229
Cost less accumulated amortization		$ 119,765		$ 56,034

As at March 31, 2008

6. Employee Pension Benefits

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund.

The Organization is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2008 was $102,071 (2007 - $91,159). Under this agreement, the Organization has no further pension liability.

7. Lease Commitment

The Organization has entered into a lease agreement expiring March 2010 for rental of facilities at various locations with total annual payments of $594,034.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the statement of financial position of the University College of the North as at June 30, 2007 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University College as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 14, 2007

STATEMENT 1

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION

JUNE 30

	Unrestricted Fund	Trust Fund	Endowment Fund	Total 2007	Total 2006
ASSETS					
CURRENT					
Cash and short term investments	$ [illegible]	$ [illegible]	$ 44,600	$ 8,111,377	$ 5,135,429
Accounts receivable (Note 3)	2,387,500			2,387,500	1,909,212
Due from other funds	76,653			76,653	317,496
Inventory	168,084			168,084	258,642
Prepaid expenses	49,992			49,992	210,633
	[illegible]	186,439	44,600	10,793,606	7,831,412
CAPITAL ASSETS (Note 4)	1,780,737			1,780,737	1,673,449
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,546,089			1,546,089	1,546,089
TOTAL ASSETS	$ [illegible]	$ 186,439	$ 44,600	$ 14,120,432	$ 11,050,950
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,776,453			$ 1,776,453	1,549,641
Due to other funds	76,653			76,653	317,496
Deferred revenue	536,027			536,027	134,752
Deferred contributions (Note 7)	3,060,154			3,060,154	1,532,488
Accrued vacation benefits	1,709,031			1,709,031	1,599,840
	7,148,318			7,148,318	5,134,417
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	1,034,479			1,034,479	904,069
ACCRUED SEVERANCE BENEFITS (Note 9)	1,349,872			1,349,872	1,269,890
	9,532,669			9,532,669	7,278,376
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	760,560			760,560	780,495
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES		186,439	44,600	231,039	187,478
NET ASSETS INTERNALLY RESTRICTED (Note 12)	1,757,681			1,757,681	977,617
UNRESTRICTED NET ASSETS	1,619,782			1,619,782	1,608,283
	4,356,724	186,439	44,600	4,587,763	3,772,574
TOTAL LIABILITIES & FUND BALANCES	$ [illegible]	$ 186,439	$ 44,600	$ 14,120,432	$ 11,050,950

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	Unrestricted Fund	Trust Fund	Endowment Fund	Total 2007	Total 2006
REVENUES					
Grants					
Council on Post-Secondary Education	$ 18,785,821			$ 18,785,821	$ 17,740,455
COPSE MARS					59,427
Other Province of Manitoba	597,504			597,504	713,175
Government of Canada	93,844			93,844	313,949
Amortization of deferred contributions related to capital assets	181,647			181,647	159,087
Ancillary sales and services	1,572,255			1,572,255	1,603,091
Donations		138,739	2,300	141,039	121,750
Investment income	284,298	4,086		288,184	160,424
Market Driven Training	1,701,186			1,701,186	1,237,125
Tuition and student fees	2,386,851			2,386,851	2,364,715
Other revenue	1,228,089			1,228,089	775,954
	25,831,295	142,825	2,300	26,976,420	25,249,152
EXPENSES					
Advertising	205,107			205,107	247,950
Amortization of capital assets	201,582			201,582	182,978
Bad debts	318,898			318,898	38,250
Cost of Goods Sold	1,007,662			1,007,662	1,030,948
Employee benefits	1,615,530			1,615,530	1,534,509
Insurance	99,261			99,261	159,315
Library acquisitions	129,505			129,505	69,392
Facility costs	828,847			828,847	765,141
Furniture and minor equipment	589,165			589,165	517,375
Loss on disposal of capital assets	3,189			3,189	7,504
Loss to inventory write down	19,841			19,841	
Maintenance and repairs	85,459			85,459	191,587
MARS expenses					59,427
Operational supplies and services	2,810,764			2,810,764	2,191,414
Property taxes	485,643			485,643	487,890
Rentals and leases	377,456			377,456	356,094
Salaries	15,667,288			15,667,288	14,854,530
Scholarships and bursaries		101,564		101,564	88,300
Telephone and communication	483,256			483,256	483,057
Travel and hospitality	1,009,728			1,009,728	727,233
Utilities	121,486			121,486	123,696
	26,059,667	101,564	-	26,161,231	24,116,590
EXCESS REVENUES (EXPENSES)	$ (771,628)	$ 41,261	$ 2,300	$ 815,189	$ 1,132,562

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	Unrestricted	Internally Restricted	Trust Fund	Endowment Fund	Net Assets Invested in Capital Assets	Contributed Surplus	Total 2007	Total 2006
FUND SURPLUS, *beginning of year*	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ 780,495	$ 218,701	$ 3,772,574	$ 2,640,012
EXCESS REVENUES (EXPENSES)	771,628		[illegible]	[illegible]			815,189	1,132,562
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization of capital assets	201,582				(201,582)			
Amortization of deferred contributions related to capital assets	(181,647)				181,647			
Purchase of capital assets	312,056				(312,056)			
Deferred contributions related to capital assets	(312,056)				312,056			
INTER-FUND TRANSFERS (Note 12)	(780,064)	780,064	[illegible]	(13,129)				
FUND SURPLUS, *end of year*	$ [illegible]	$ [illegible]	$ [illegible]	$ 44,600	$ 780,560	$ 218,701	$ 4,587,763	$ 3,772,574

UNIVERSITY COLLEGE OF THE NORTH **STATEMENT 4**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
University College of the North Fund	$ 387,546	$ 539,566
Inter-Universities Services Fund	372,583	420,307
Northern Forest Diversification Centre Fund	11,499	136,439
Trust Fund	41,261	33,742
Endowment Fund	2,300	2,508
	815,189	1,132,562
Add (deduct) items not involving cash		
Loss on disposal of capital assets	3,189	7,504
Amortization of capital assets	201,582	182,978
Amortization of deferred contributions related to capital assets	(181,647)	(159,087)
	838,313	1,163,957
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	(246,643)	238,255
Inventory	99,568	(43,933)
Prepaid expenses	160,640	(107,501)
Accounts payable and accrued liabilities	(5,034)	551,540
Deferred revenue	431,275	(17,182)
Deferred contributions	1,497,646	249,194
Accrued vacation benefits	169,191	49,780
Accrued severance benefits	79,982	(11,542)
	2,975,948	2,072,536
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	312,057	225,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(312,057)	(225,136)
Proceeds on disposal of capital assets		3,610
	(312,057)	(221,526)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	2,975,948	2,076,200
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	5,135,429	3,059,229
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 8,111,377	$ 5,135,429

1. NATURE OF OPERATIONS

The University College of the North operates under the authority of *The University College of the North Act*, Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board governed institution on April 1, 1993.

The purpose of the University College of the North is to provide post secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well being of northern Manitoba.

The university college has tax exempt status as a registered charity under *The Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University College of the North (UCN) have been prepared in accordance with Canadian generally accepted accounting principles. University College of the North follows the restricted fund method of accounting for contributions.

a) General

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

UCN Fund - transactions related to educational and ancillary activities of UCN.

Inter Universities Services Fund - transactions related to the educational programs of the Inter Universities Services Program which is administered by UCN.

Northern Forest Diversification Centre Fund - transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Trust Fund - transactions related to donations for student scholarships and bursaries.

Endowment Fund - transactions related to endowments for student scholarships and bursaries.

Internally Restricted Fund - transactions related to appropriations made from (to) the Unrestricted Fund.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions for which a corresponding restricted fund is not presented are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

c) Short-term Investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

UCN Fund - inventory is recorded at the lower of cost or net realizable value.

Northern Forest Diversification Centre Fund - inventory is recorded at lower of average cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years
Computer equipment	5 years
Other equipment	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisitic

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

The financial instruments at UCN consist of cash & short term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that UCN is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

g) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. ACCOUNTS RECEIVABLE

	2007	2006
UCN Fund		
Students	$ 576,476	$ 417,612
Market Driven Training	997,676	591,234
Due from COPSE	447,843	463,897
Other	646,644	564,398
	2,668,139	2,037,141
Less: Allowance for doubtful accounts	(703,055)	(360,307)
	$ 1,965,084	$ 1,676,834
Inter-Universities Services Fund		
Students	$ 174,603	$ 28,564
Other	116,505	91,524
	296,108	120,088
Less: Allowance for doubtful accounts	(1,115)	(4,072)
	$ 294,993	$ 116,016
Northern Forest Diversification Centre Fund		
Trade accounts receivable	$ 37,899	$ 20,393
Province of Manitoba	44,762	62,289
Government of Canada	44,762	62,289
Less: Allowance for doubtful accounts		(2,609)
	$ 127,423	$ 142,362
	$ 2,387,500	$ 1,909,212

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
UCN Fund				
Automotive equipment	$ 452,148	$ 347,831	$ 104,317	$ 105,942
Computer equipment	520,775	406,669	114,106	158,574
Other equipment	1,174,817	709,119	465,698	442,679
Buildings/improvements	406,783	113,042	293,741	168,245
Library holdings	714,161		714,161	714,161
	$ 3,268,684	$ 1,576,661	$ 1,692,023	$ 1,589,601

4. CAPITAL ASSETS (continued)

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Inter Universities Services Fund				
Automotive equipment	$ 82,430	$ 34,888	$ 47,542	$ 64,028
Computer equipment	60,174	34,204	25,970	2,317
Other equipment	28,448	13,246	15,202	17,503
	$ 171,052	$ 82,338	$ 88,714	$ 83,848
	$ 3,439,736	$ 1,658,999	$ 1,780,737	$ 1,673,449

5. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the University College for the opening balances of accrued employee severence benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures. Amounts due, or portion thereof, for UCN, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of UCN.

	2007	2006
Accrued severance benefits, April 1, 1998	$ 793,500	$ 793,500
Accrued vacation benefits, April 1, 1998	752,589	752,589
	$ 1,546,089	$ 1,546,089

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

UCN Fund	2007	2006
Accrued liabilities	$ 300,662	$ 372,308
Wages and benefits payable	758,395	534,172
Trade accounts payable	649,202	578,091
Due to Student Associations	8,430	5,108
	$ 1,716,689	$ 1,489,679
Inter Universities Services Fund		
Trade accounts payable	$ 56,393	$ 14,548
Other accrued liabilities		40,044
	$ 56,393	$ 54,592
Northern Forest Diversification Centre Fund		
Trade accounts payable	$ 3,371	$ 5,570
	$ 1,776,453	$ 1,549,841

7. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 1,592,488	$ 1,969,841	$ (512,175)	$ 3,050,154

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 820,221	$ 287,245	$ 161,701	$ 945,765
Inter Universities Services Fund	83,848	24,812	19,946	88,714
	$ 904,069	$ 312,057	$ 181,647	$ 1,034,479

9. ACCRUED SEVERANCE BENEFITS

UCN Fund	2007	2006
Balance, beginning of year	$ 1,229,187	$ 1,242,960
Experience gain (loss)		
Benefits accrued	96,133	88,641
Interest on accrued benefits	86,044	80,793
Severance paid	(108,552)	(183,207)
Balance, end of year	$ 1,302,812	$ 1,229,187
Inter Universities Services Fund		
Balance, beginning of year	$ 40,708	$ 43,881
Experience gain (loss)	3,227	
Benefits accrued	2,645	3,555
Interest on accrued benefits		2,267
Severance paid		
Balance, end of year	$ 46,580	$ 49,703
Northern Forest Diversification Centre Fund		
Balance, beginning of year	$	$ 3,591
Experience gain (loss)		(3,591)
Benefits accrued		
Interest on accrued benefits		
Severance paid		
Balance, end of year	$	$
	$ 1,349,392	$ 1,278,890

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2000 - 6.75%), 2.5% inflation (2000 - 2.75%), salary rate increases of 3.25% (2000 - 3.5%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to June 30, 2007 using the projection formula provided by the actuary.

10. PENSION COSTS AND OBLIGATIONS

The University College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the University College itself for all employees hired prior to October 1, 2002.

The benefit to the University College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The total contributions during the fiscal year by employees hired prior to October 1, 2002 were $771,630 (2006 - $573,915).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the University College) were $262,007 (2006 - $188,343). These contributions represent the total pension obligations of the University College. The University College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

11. CONTRACTUAL OBLIGATIONS

The University College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next four years are as follows:

2007/08	383,753
2008/09	241,692
2009/10	28,937
2010/11	4,248

12. INTERNALLY RESTRICTED NET ASSETS

Appropriations from the Unrestricted Fund are made to provide for future funding for campus development, innovations funds, fiscal stabilization, conference and the establishment of a science lab.

UCN Fund

	Opening Balance	Increases	Decreases	Ending Balance
Campus Development Fund	$ 179,538	$ -	$ 18,885	$ 160,653
Innovations Fund	22,878			22,878
Fiscal Stabilization	354,894	426,366		781,260
Total	$ 557,310	$ 426,366	$ 18,885	$ 964,791

Inter-Universities Services Fund

Innovations Fund	$ 270,307	$ 373,890	$ 1,307	$ 642,890
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 420,307	$ 373,890	$ 1,307	$ 792,890
	$ 977,617	$ 800,256	$ 20,192	$ 1,757,681

The net increase to the Internally Restricted Net Assets in the UCN Fund is $407,481 and the IUS Fund is $372,583. The overall increase to the Internally Restricted Net Assets is $780,064.

13. RELATED PARTY TRANSACTIONS

The University College is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University College enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION - UNRESTRICTED

JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	2007	2006
ASSETS					
CURRENT					
Cash and short-term investments	$ 7,234,043	$ 626,483	$ 47,812	$ 7,880,338	$ 4,947,961
Accounts receivable (Note 3)	1,965,084	284,993	127,423	2,387,500	1,909,212
Due from other funds	54,225	22,428		76,653	317,496
Inventory	121,586		46,098	168,084	258,642
Prepaid expenses	49,992			49,992	210,633
	9,425,330	945,904	221,333	10,562,567	7,643,934
CAPITAL ASSETS (Note 4)	1,692,023	88,714		1,780,737	1,673,449
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,311,079	5,010		1,546,089	1,546,089
TOTAL ASSETS	$ 12,428,432	$ 1,039,628	$ 221,333	$ 13,889,393	$ 10,863,472
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,770,689	$ 98,393	$ 3,371	$ 1,776,453	$ 1,549,841
Due to other funds			76,653	76,653	317,496
Deferred revenue	515,701		20,326	536,027	104,752
Deferred contributions (Note 7)	3,050,154			3,050,154	1,592,488
Accrued vacation benefits	1,453,269	54,571	1,201	1,709,031	1,539,840
	6,789,813	110,964	101,551	7,148,318	5,104,417
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	945,701	88,714		1,034,479	904,069
ACCRUED SEVERANCE BENEFITS (Note 9)	1,302,812	47,060		1,349,872	1,269,890
	9,038,326	246,738	101,551	9,532,669	7,278,376
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	760,560			760,560	780,495
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES					
NET ASSETS INTERNALLY RESTRICTED (Note 12)	964,791	792,890		1,757,681	977,617
UNRESTRICTED NET ASSETS	1,500,000		119,782	1,619,782	1,608,283
	3,444,052	792,890	119,782	4,356,724	3,585,096
TOTAL LIABILITIES & FUND BALANCES	$ 12,428,432	$ 1,039,628	$ 221,333	$ 13,889,393	$ 10,863,472

STATEMENT 2A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2007	Total 2006
REVENUES					
Grants					
Council on Post-Secondary Education	$ [illegible]	$ [illegible]	$	$ 18,785,821	$ 17,740,455
COPSE MARS					59,427
Other Province of Manitoba	[illegible]		85,918	597,504	713,175
Government of Canada	[illegible]		81,244	93,844	313,949
Amortization of deferred contributions related to capital assets	[illegible]	19,946		181,647	159,087
Ancillary sales and services	1,400,182		172,073	1,572,255	1,603,091
Donations					750
Investment income	[illegible]	[illegible]		284,098	156,874
Market Driven Training	[illegible]		12,580	1,701,186	1,237,125
Tuition and student fees	[illegible]	[illegible]		2,386,851	2,364,715
Other revenue	[illegible]	[illegible]	14,298	1,228,089	775,954
	[illegible]	[illegible]	346,113	26,831,295	25,124,602
EXPENSES					
Advertising	[illegible]	[illegible]	2,202	205,107	247,950
Amortization of capital assets	[illegible]	19,946		201,582	182,978
Bad debts (Recovery)	[illegible]	[illegible]	10,866	318,898	38,250
Cost of Goods Sold	[illegible]		130,469	1,007,662	1,030,948
Employee benefits	[illegible]	[illegible]	13,842	1,615,530	1,534,509
Insurance	[illegible]	[illegible]		99,261	159,315
Library acquisitions	[illegible]			129,505	69,392
Facility costs	[illegible]			828,847	765,141
Furniture and minor equipment	[illegible]	[illegible]	56	589,165	517,375
Loss on disposal of capital assets	[illegible]			3,189	7,504
Loss to inventory write down			19,841	19,841	
Maintenance and repairs	[illegible]	4,948	434	85,459	191,587
MARS expenses					59,427
Operational supplies and services	[illegible]	[illegible]	40,963	2,810,764	2,191,414
Property taxes	[illegible]			485,643	487,890
Rentals and leases	[illegible]	14,346		377,456	356,094
Salaries	[illegible]	[illegible]	105,862	15,667,288	14,854,530
Telephone and communication	[illegible]	[illegible]	5,909	483,256	483,057
Travel and hospitality	[illegible]	[illegible]	2,884	1,009,728	727,233
Utilities	[illegible]		1,246	121,486	123,696
	[illegible]	[illegible]	334,614	26,059,667	24,028,290
EXCESS REVENUES (EXPENSES)	$ [illegible]	$ [illegible]	$ 11,499	$ 771,628	$ 1,096,312

STATEMENT 3A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2007	Total 2006
FUND SURPLUS (DEFICIT), *beginning of year*	$ 1,500,000	$	$ 108,283	$ 1,608,283	$ 1,263,281
EXCESS REVENUES (EXPENSES)	387,546	372,583	11,499	771,628	1,096,312
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS					
Amortization of capital assets	181,636	19,946		201,582	182,978
Amortization of deferred contributions related to capital assets	(161,701)	(19,946)		(181,647)	(159,087)
Purchase of capital assets	287,245	24,811		312,056	225,136
Deferred contributions related to capital assets	(287,245)	(24,811)		(312,056)	(225,136)
INTER-FUND TRANSFERS (Note 12)	(407,481)	(372,583)		(780,064)	(775,201)
FUND SURPLUS (DEFICIT), *end of year*	$ 1,500,000	$ -	$ 119,782	$ 1,619,782	$ 1,608,283

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Province of Manitoba		
Adult Learning Centre	$ 375,000	$ 297,000
Computer Based Learning System	99,179	138,695
Protection Services	37,407	-
	$ 511,586	$ 435,695

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Bookstore	$ 1,021,610	$ 1,072,686
Cafeteria	177,375	167,337
Residence	221,197	230,529
	$ 1,420,182	$ 1,470,552

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES (unaudited)

YEAR ENDED JUNE 30

	2007	2006
Apprenticeship	$ 873,120	$ 749,637
Core-funded programs	1,082,141	1,205,614
Continuing Educ		
Credit courses	78,527	86,779
Non-credit	25,876	33,991
	$ 2,059,664	$ 2,076,021

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

SCHEDULE OF UCN EXPENDITURES BY FUNCTION (unaudited)

YEAR ENDED JUNE 30

	Salaries & Benefits	Other	TOTAL 2007	TOTAL 2006
Academic	$ 8,829,146	$ 1,257,369	$10,086,515	$ 9,350,343
Administration	2,312,788	2,182,273	4,495,061	3,454,000
Ancillary Sales & Service	465,455	993,923	1,459,378	1,487,667
Continuing Education	57,717	13,184	70,901	140,915
Library	275,599	193,541	469,140	350,692
Market Driven Training	1,035,225	474,711	1,509,936	1,460,032
Mould & Asbestos Remediation (MARS)				155,094
Thompson Break-In		28,432	28,432	
MIS	646,392	582,507	1,228,899	1,279,237
Plant	509,244	1,914,717	2,423,961	2,304,415
Program Support	2,200,735	565,525	2,766,310	2,412,172
	$16,332,351	$ 8,206,182	$24,538,533	$22,394,567

UNIVERSITY
OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2008 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2008 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the consolidated financial statements.

Deborah J. McCallum,
Vice-President (Administration)

May 23, 2008
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2008 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
May 23, 2008

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2008*	*2007*
Current Assets		
Cash	$ 17,605	$ 25,583
Marketable Investments	138,470	172,250
Accounts Receivable (Note 4)	78,828	61,154
Inventories	3,053	3,291
Prepaid Expenses	1,212	1,398
	239,168	263,676
Long Term Assets		
Investments (Note 5)	388,436	312,089
Capital Assets, Net of Accumulated Amortization (Note 7)	669,204	600,895
	1,057,640	912,984
	$ 1,296,808	$ 1,176,660
Liabilities		
Current Liabilities		
Accounts Payable	$ 44,547	$ 39,438
Unearned Revenue	3,755	4,082
Staff Vacation Entitlements	9,021	8,863
Bank Loans	3,061	3,424
Current Portion of Capital Lease Obligations (Note 8)	420	263
Current Portion of Long Term Debt (Note 9)	5,293	4,842
	66,097	60,912
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	4,546	346
Capital Lease Obligations (Note 8)	762	393
Long Term Debt (Note 9)	164,118	169,411
Employee Future Benefits (Note 11)	58,478	54,602
	227,904	224,752
Fund Balances	1,002,807	890,996
	$ 1,296,808	$ 1,176,660

Commitments and Contingencies (Note 16)

Terry Sargeant - Chair

Shirley Van Schie - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances
for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2008 Total Funds*	*2007 Total Funds*
Revenue:					
Tuition and Related Fees	$ 99,670	$	$	$ 99,670	$ 99,092
Contributions, Donations, Non-Government Grants	1,497	72,285	16,385	90,167	80,601
Investment Income	6,983	(11,045)		(4,062)	19,189
Miscellaneous Income	1,703	2,211		3,914	4,684
Government Grants					
Council on Post-Secondary Education	245,972	8,572		254,544	237,756
Other Province of Manitoba	9,830	26,688		36,518	36,597
Government of Canada	9,129	71,891		81,020	71,329
City of Winnipeg		3,173		3,173	
Sales of Goods and Services	26,403			26,403	25,996
Ancillary Services	30,546			30,546	29,191
	431,733	173,775	16,385	621,893	604,435
Expense:					
Academic	231,681	114,113		345,794	330,649
Libraries	15,534	136		15,670	15,183
Student Affairs	18,741	174		18,915	18,212
Administration	26,295	3,092		29,387	27,239
Plant Maintenance	37,550	153		37,703	37,356
Other Academic Support	18,134	217		18,351	18,775
General	4,102	4,924		9,026	7,480
Property Taxes	396			396	345
Scholarships, Bursaries, Prizes and Awards	4,381	14,786		19,167	16,276
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		9,976		9,976	9,839
Amortization of Capital Assets		41,079		41,079	37,919
Ancillary Services	26,045			26,045	25,157
Staff Benefits Contra	1,461			1,461	(2,852)
	384,320	188,650		572,970	541,578
Net Revenue (Expense)	47,413	(14,875)	16,385	48,923	62,857
Inter-Fund Transfers (Note 13)	(26,993)	42,370	(15,377)		
Net (Decrease) Increase to Fund Balances	20,420	27,495	1,008	48,923	62,857
Fund Balances Beginning of the Year	4,018	746,841	140,137	890,996	828,139
Adjustment for Financial Instruments (Note 3)		21,282	41,606	62,888	
Fund Balances End of the Year	$ 24,438	$ 795,618	$ 182,751	$1,002,807	$ 890,996
Unrestricted Funds	$ (45,834)	$	$	$ (45,834)	$ (45,369)
Internally Restricted Funds	70,272	52,908		123,180	97,278
Externally Restricted Funds		198,301	182,751	381,052	323,907
Invested in Capital Assets		544,409		544,409	515,180
	$ 24,438	$ 795,618	$ 182,751	$1,002,807	$ 890,996

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds for the years ended March 31 (in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2008 Total General Funds*	*2007 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 99,670	$	$	$ 99,670	$ 99,092
Contributions, Donations, Non-Government Grants	1,497			1,497	1,237
Investment Income	6,983			6,983	5,394
Miscellaneous Income	1,703			1,703	2,712
Government Grants					
Council on Post-Secondary Education	245,972			245,972	229,104
Other Province of Manitoba	9,830			9,830	4,573
Government of Canada	9,129			9,129	8,930
Sales of Goods and Services	26,403			26,403	25,996
Ancillary Services	30,546			30,546	29,191
	431,733			431,733	406,229
Expense:					
Academic	231,681			231,681	222,567
Libraries	15,534			15,534	15,053
Student Affairs	18,741			18,741	17,558
Administration	26,295			26,295	25,083
Plant Maintenance	37,550			37,550	37,355
Other Academic Support	18,134			18,134	18,430
General	4,102			4,102	3,497
Property Taxes	396			396	345
Scholarships, Bursaries, Prizes and Awards	4,381			4,381	3,921
Ancillary Services	26,045			26,045	25,157
Staff Benefits Contra	1,461			1,461	(2,852)
	384,320			384,320	366,114
Net Revenue	47,413			47,413	40,115
Inter-Fund Transfers (Note 13)	(47,376)	20,885	(502)	(26,993)	(32,922)
Net Increase (Decrease) to Fund Balances	37	20,885	(502)	20,420	7,193
Fund Balances Beginning of the Year	2,193	49,387	(47,562)	4,018	(3,175)
Fund Balances End of the Year	$ 2,230	$ 70,272	$ (48,064)	$ 24,438	$ 4,018
Unrestricted Funds	$ 2,230	$	$ (48,064)	$ (45,834)	$ (45,369)
Internally Restricted Funds		70,272		70,272	49,387
	$ 2,230	$ 70,272	$ (48,064)	$ 24,438	$ 4,018

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds for the years ended March 31 (in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2008 Total Restricted Funds*	*2007 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 9,496	$ 53,323	$ 1,421	$ 8,045	$ 72,285	$ 68,958
Investment Income	2,023		243	(13,311)	(11,045)	13,795
Miscellaneous Income	1,960		251		2,211	1,972
Government Grants						
Council on Post-Secondary Education	8,572				8,572	8,652
Other Province of Manitoba	3,754	22,934			26,688	32,024
Government of Canada	3,594	68,297			71,891	62,399
City of Winnipeg	3,173				3,173	
	32,572	144,554	1,915	(5,266)	173,775	187,800
Expense:						
Academic		114,113			114,113	108,082
Libraries		136			136	130
Student Affairs		174			174	654
Administration		3,092			3,092	2,156
Plant Maintenance		153			153	1
Other Academic Support		217			217	345
General		28	3,116	1,780	4,924	3,983
Scholarships, Bursaries, Prizes and Awards		4,912		9,874	14,786	12,355
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	9,976				9,976	9,839
Amortization of Capital Assets	41,079				41,079	37,919
	51,055	122,825	3,116	11,654	188,650	175,464
Net Revenue	(18,483)	21,729	(1,201)	(16,920)	(14,875)	12,336
Inter-Fund Transfers (Note 13)	49,167	(11,281)	(4,665)	9,149	42,370	30,519
Net Increase (Decrease) to Fund Balances	30,684	10,448	(5,866)	(7,771)	27,495	42,855
Fund Balances Beginning of the Year	515,180	84,004	13,537	134,120	746,841	703,986
Adjustment for Financial Instruments (Note 3)	(1,455)		5,241	17,496	21,282	
Fund Balances End of the Year	$ 544,409	$ 94,452	$ 12,912	$ 143,845	$ 795,618	$ 746,841
Internally Restricted Funds	$	$	$ 7,865	$ 45,043	$ 52,908	$ 47,891
Externally Restricted Funds		94,452	5,047	98,802	198,301	183,770
Invested in Capital Assets	544,409				544,409	515,180
	$ 544,409	$ 94,452	$ 12,912	$ 143,845	$ 795,618	$ 746,841

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
for the years ended March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2008 Total Funds*	*2007 Total Funds*
Cash from Operating Activities:					
Net Revenue (Expense)	$ 47,413	$ (14,875)	$ 16,385	$ 48,923	$ 62,857
Amortization of Capital Assets		41,079		41,079	37,919
	47,413	26,204	16,385	90,002	100,776
Net Change in Non-Cash Working Capital Items	(6,542)	(7,223)		(13,765)	(5,461)
Net Change in Other Long Term Liabilities		4,200		4,200	
Net Change in Employee Future Benefits	445	3,431		3,876	(509)
Net Cash Generated through Operating Activities	41,316	26,612	16,385	84,313	94,806
Investing Activities:					
Increase in Long Term Investments	(10,386)	(610)	(1,008)	(12,004)	(16,609)
Purchase of Capital Assets		(109,388)		(109,388)	(80,793)
Net Cash Used in Investing Activities	(10,386)	(109,998)	(1,008)	(121,392)	(97,402)
Financing Activities:					
Proceeds from Capital Lease Obligations		1,046		1,046	308
Proceeds from Long Term Debt					75,000
Principal Repayment on Capital Lease Obligations		(520)		(520)	(362)
Principal Repayment on Bank Loans		(363)		(363)	(8,540)
Principal Repayment on Long Term Debt		(4,842)		(4,842)	(5,068)
Net Cash Generated in Financing Activities		(4,679)		(4,679)	61,338
Net Increase (Decrease) in Cash	30,930	(88,065)	15,377	(41,758)	58,742
Inter-Fund Adjustments	(26,993)	42,370	(15,377)		
Cash Beginning of Year	89,432	108,401		197,833	139,091
Cash End of Year	$ 93,369	$ 62,706	$	$ 156,075	$ 197,833
Cash is defined as					
Cash	$ 13,232	$ 4,373	$	$ 17,605	$ 25,583
Marketable Investments	80,137	58,333		138,470	172,250
	$ 93,369	$ 62,706	$	$ 156,075	$ 197,833

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories: General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund
The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. The Fund also consists of the change in fair value of the endowments each year which is recorded by way of a fund transfer from the Trust fund.

h. Revenue Recognition
Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor.

Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services

Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

Effective April 1, 2007, investments are classified as held-for-trading and are carried at fair value (Note 3). Changes in fair value of investments are reflected in investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

For periods prior to April 1, 2007, all investments were recorded at cost, and investment income was recorded on an accrual basis. Realized gains or losses on sales of investments were recognized in the year of disposal or when there was a loss in value of the investment that was deemed to be other than temporary.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) or the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, long term investments, accounts payable, other long term liabilities, staff vacation entitlements, capital lease obligations and long term debt.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments.

The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its long term debt obligations.

A significant portion of the University's accounts receivable are related to Research and Special Funds as disclosed in Note 4 and are from the federal and provincial governments, not for profit organizations, corporations, the US government and other universities. The University also has accounts receivable from students and staff. The credit risk on these is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is actuarially determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Derivative Financial Instruments

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue (Note 3).

For periods prior to April 1, 2007, the University utilized hedge accounting to account for its interest rate swap agreements. Payments and receipts under the interest rate swap agreements, which were designated as effective hedges, were recognized as adjustments to interest expense on the long term debt in the same period that the underlying hedged transactions were recognized.

t. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, CICA 3862 "Financial Instruments – Disclosures" and CICA 3863 "Financial Instruments – Presentation" which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These new standards, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

Capital Disclosures

The CICA has issued a new accounting standard, CICA 1535 "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables users of financials statements to evaluate the entity's objectives, policies, and processes for managing capital. This new standard, which will be adopted effective April 1, 2008, will only require additional disclosure in the financial statements.

Inventories

The Canadian Accounting Standards Board has approved a new standard with respect to inventories which requires that inventories be measured at lower of cost or net realizable value, disallows the use of last-in first out inventory costing methodology, and requires that when circumstances which previously caused inventories to be written down below cost not longer exist, the amount of the write-down is to be reversed. This new standard, which will be adopted effective April 1, 2008, is not expected to have a material impact on the University.

3. CHANGE IN ACCOUNTING POLICIES

The University adopted the new standards, Handbook Section 3855, *Financial Instruments - Recognition and Measurement* and *Section 3865, Hedges*, on April 1, 2007.

Financial Instruments – Recognition and Measurement

This standard provides guidance on recognizing financial instruments and non-financial derivatives on the balance sheet. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the University designated cash, marketable investments and investments as held-for-trading; accounts receivable as loans and receivables; and accounts payable, staff vacation entitlements, bank loans, other long term liabilities, and long term debt as other liabilities. The University has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial instruments, transaction costs are recorded in the statement of operations as incurred.

The implementation of the standard on April 1, 2007 resulted in an increase to investments and fund balances of $64,345 for net unrealized capital gains.

The impact of this standard on the year ended March 31, 2008 resulted in a decrease in investment income and investments of $32,931.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated statement of financial position.

Hedges
Section 3865 establishes standards for when and how hedge accounting can be applied as well as disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instrument in the same period as for those related to the hedged item. The University may use interest rate swap agreements to manage exposure to risk. The University's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Prior to the adoption of the new accounting standards on April 1, 2007, the University's interest rate swap agreements were accounted for using hedge accounting and payments and receipts under the agreements were recognized as adjustments to interest expense in the same period that the underlying hedged transaction was recognized. Effective April 1, 2007, the University ceased applying hedge accounting to its interest rate swap agreements.

In accordance with the new standards, the fair value of the interest rate swaps of $1,455 at April 1, 2007 was recorded in accounts payable and capital asset fund balance. Changes in the fair value of the interest rate swaps, commencing April 1, 2007, are recognized in interest expense with a corresponding adjustment to the swap carrying value included in accounts payable.

The impact of this standard on the year ended March 31, 2008 resulted in an increase in accounts payable and interest expense of $436.

4. ACCOUNTS RECEIVABLE

	2008	2007
Council on Post-Secondary Education	$ 136	$ 57
General	39,928	33,450
Research and Special	38,764	27,647
	$ 78,828	$ 61,154

5. INVESTMENTS

The carrying values of investments as at March 31 are:

	2008 Carrying Value	2007 Carrying Value
Research and Special Funds		
Guaranteed Investment Certificate	$ 346	$ 346
Operating		
Government of Canada Bond	10,386	
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	29,333	25,753
Bonds and Other Fixed Income Securities:		
Government of Canada	46,060	27,142
Province of Manitoba	2,727	1,591
Other Provincial	9,821	11,197
Municipal	1,813	4,656
Corporate	3,769	29,936
Other	139	4,116
	64,329	78,638

(in thousands of dollars)

	2008 Carrying Value	2007 Carrying Value
Equities:		
Canadian Equities	108,013	69,921
US Equities	61,775	56,802
International Equities	46,310	42,595
	216,098	169,318
Pooled Real Estate Fund	32,331	4,992
	342,091	278,701
Capital*		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	1,620	2,011
Province of Manitoba Bonds	202	196
	1,822	2,207
Staff Benefits		
Money Market Funds and Cash	493	504
Bonds	11,507	11,846
Equities:		
Canadian Equities	8,459	5,643
US Equities	4,963	5,325
International Equities	5,071	4,031
	18,493	14,999
Mortgage Fund	3,298	3,486
	33,791	30,835
Total Investments	$ 388,436	$ 312,089

*Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 9.

In 2008 investments are carried at fair value and in 2007 carrying value represented book value (Note 3). The fair value of investments held at March 31, 2007 was $376,434.

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 3.58% (2007, 4.35%); term to maturity: less than one year
- Government and Corporate bond funds: 3.88% (2007, 4.39%); terms to maturity: range from less than one year to more than 12 years.

During the year ended March 31, 2008, the University recognized net unrealized losses of $32,931 on investments classified as held-for-trading, which is recorded in investment income in the consolidated statement of operations.

6. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,266	$ 2,027	$ 2,548	$ 1,966
Buildings and Major Renovations	572,596	142,045	545,021	130,116
Computer Hardware, Software and Electronics	96,437	66,989	92,981	62,499
Construction in Progress	55,839		20,264	
Furniture and Equipment	171,441	97,642	155,981	87,055
Land	22,147		11,753	
Library Books	144,091	101,583	135,451	94,726
Parking Lots	6,827	1,063	6,603	728
Rare Books and Manuscripts	4,530		4,333	
Vehicles	6,996	5,565	6,647	5,361
Works of Art	1,948		1,764	
	1,086,118	416,914	983,346	382,451
Less Accumulated Amortization	416,914		382,451	
Net Book Value	$ 669,204		$ 600,895	

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2009	$ 473
2010	390
2011	276
2012	163
Total Minimum Lease Payments	1,302
Less: Interest at 5.47%	(120)
	1,182
Less: Current Portion	(420)
	$ 762

9. LONG TERM DEBT

	2008	2007
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 71,642	$ 72,820
Promissory Note, 5.55% due April 1, 2036	73,032	74,085
	144,674	146,905
Capital Advances:		
5 7/8% due May 20, 2007		482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
	1,518	2,000
Term Loans:		
*Smartpark Multi Tenant Facility, 6.05% due October 31, 2012	1,336	1,371
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	3,350
	4,686	4,721
Bankers Acceptances with Interest Rate Swaps:		
Energy Performance Program, 4.31% due November 10, 2009	3,045	4,767
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,488	15,860
	18,533	20,627
	169,411	174,253

(in thousands of dollars)

	2008	2007
Less Current Portion		
Promissory Notes	(2,355)	(2,231)
Capital Advances	(706)	(482)
Term Loans	(37)	(35)
Bankers Acceptances	(2,195)	(2,094)
	(5,293)	(4,842)
	$ 164,118	$ 169,411

*Represents debt of Smartpark Development Corporation

Interest on long term debt was $9,819 (2007: $9,672).

The fair value of the Province of Manitoba promissory notes and capital advances are not practical to determine due to their underlying terms and conditions. The fair value of the term loans and bankers acceptances is approximately $24,674 compared to their carrying value of $23,219. Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $15,488 as at March 31, 2008 (2007: $15,860).

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 4.31% on the Energy Performance Program loan. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $3,045 as at March 31, 2008 (2007: $4,767). The stamping fee is committed until November 10, 2008.

The fair value of the swap agreements at March 31, 2008 was $1,891 (2007: $1,455) and has been recorded in accounts payable.

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2009	$ 2,355	$ 706	$ 37	$ 2,195	$ 5,293
2010	2,484	257	39	1,665	4,445
2011	2,621	555	42	445	3,663
2012	2,766		44	474	3,284
2013	2,918		1,336	503	4,757
Thereafter	131,530		3,188	13,251	147,969
	$144,674	$ 1,518	$ 4,686	$ 18,533	$ 169,411

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and due as follows:

	2008	2007
2010	$ 2,500	$
2011	1,700	
2012	346	346
	$ 4,546	$ 346

The $346 represents a refundable deposit held by Smartpark Development Corporation which is fully refundable to a tenant, provided the tenant renews their lease beyond 2012.

(in thousands of dollars)

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University (50% from the General Operating Fund and 50% from the Staff Benefits Fund).

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations were as of March 31, 2007 with the next valuations due as of March 31, 2010.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the University's consolidated statement of financial position under long term liabilities.

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2008	2007	2008	2007	2008	2007
Benefit Cost	$ 4,714	$ 1,443	$ 99	$ 577	$ 4,813	$ 2,020
Accrued Benefit Obligation	52,913	48,606	5,565	5,996	58,478	54,602
Plan Assets	21,051	18,193	1,188	1,327	22,239	19,520
Employer Contribution	3,265	2,561	391	415	3,656	2,976
Employees' Contributions	1,362	1,4[illegible]			1,362	1,431
Benefits Paid	4,627	3,992	782	829	5,409	4,821

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2008	2007	2008	2007
Equities	52%	45%	3%	3%
Fixed Income	32%	36%	2%	3%
Other	11%	12%	0%	1%
Total	95%	93%	5%	7%

Key Assumptions are:	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2008	2007	2008	2007
Accrued benefit obligation at March 31				
Discount rate	5.50%	4.90%	5.25%	4.90%
Benefit Cost for year ended March 31				
Discount rate	4.90%	5.00%	4.90%	5.00%
Expected rate of return on assets	6.00%	5.00%	4.90%	5.00%
Health Care Cost Trend Rates at March 31				
Initial rate	11.00%	10.00%		
Ultimate rate	6.00%	5.00%		
Year ultimate rate reached	2017	2017		
Dental Care Cost Trend Rates at March 31				
Discount rate	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2008	2007
General Operating Fund		
Due to Capital Asset	$ (28,721)	$ (31,106)
Due to Staff Benefits		(150)
Due to Trust	(1,957)	(201)
	$ (30,678)	$ (31,457)
Capital Asset Fund		
Due from Operating	$ 28,721	$ 31,106
Staff Benefits Fund		
Due from Operating	$	$ 150
Trust Fund		
Due from Operating	$ 1,957	$ 201

13. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 3,876	$	$ (445)	$	$	$ (3,431)	$	$
Net Change in Vacation Pay Liability	57		(57)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,234					(1,234)		
Appropriations for Specific Provisions								
Capital Asset Replacements & Improvements	(2,966)	2,966						
Unit Carryovers, Special Projects & Initiatives	(21,269)	21,418		(149)				
Funding of Capital Asset Additions	(24,078)	(218)		37,287	(8,616)		(4,375)	
Long Term Debt Repayments	(5,682)			5,690	(8)			
Student Contributions to University Development Funds	(861)			114				747
Student Contributions for Technology	(3,282)			3,282				
Scholarships, Bursaries & Prizes	(3,465)	(100)		64	(103)		3,604	
Change in Market Value of Endowments							18,268	(18,268)
Other Net Transfers	404			222	(571)		(2,199)	2,144
Overhead Recoveries	3,328				(3,328)			
Funding of General Operating Expenses	9,175	(3,181)		(1,142)	(45)		(4,807)	
Unit Capital Development Assessment	(3,799)			3,799				
Funding of Research Projects	(48)				1,390		(1,342)	
March 31, 2008	$ (47,376)	$ 20,885	$ (502)	$ 49,167	$ (11,281)	$ (4,665)	$ 9,149	$ (15,377)
March 31, 2007	$ (40,071)	$ 3,636	$ 3,513	$ 54,447	$ (6,679)	$ (4,736)	$ (12,513)	$ 2,403

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $1,184 (2007, $1,201).

15. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation effective December 31, 2006 was completed in 2007 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2007. As at December 31, 2007, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $1,174 (2006, $1,079) and $15,535 (2006, $23,716), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2007		2006	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 870,172	$ 20,805	$ 839,732	$ 17,364
Interest accrued on benefits	88,144	1,882	55,348	1,343
Benefits accrued	31,941	1,884	30,012	1,673
Benefits paid	(69,023)	(780)	(56,447)	(781)
Actuarial gain/loss			(2,275)	(189)
Change in asset valuation method				1,395
Change in assumptions			3,802	
Actuarial present value of accrued pension benefits at end of year	$ 921,234	$ 23,791	$ 870,172	$ 20,805

The significant long term assumptions used in the valuation of the accrued pension benefits were a rate of return on assets of 6.0% per annum, a general rate of salary increase of 4.0% and an interest assumption of 5.0% (1970 Plan) and 5.5% (1993 Plan) as the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2007 was 8.81% (1970 Plan) and 9.44% (1993 Plan) being the rate of return for that year based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2007		2006	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 957,821	$ 25,321	$ 974,371	$ 23,674
Fair value changes not reflected in the actuarial value of net assets	(21,052)	(356)	(80,483)	(1,790)
Actuarial value of net assets available for benefits	$ 936,769	$ 24,965	$ 893,888	$ 21,884

The University recognized expenses equal to its contributions of $15,494 (2007, $14,950) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2007. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2009 and will be completed in 2010.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,604 in 2008 (2007, $1,533).

16. COMMITMENTS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual commitments relating to Construction in Progress amount to $24,990 (2007, $34,971).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2008.

17. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2007 have been restated, where appropriate, to conform with the presentation adopted for the year ended March 31, 2008.

THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Acting Executive Director, Financial Services

Winnipeg, Manitoba
June 16, 2008

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2008, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer, FCA, MBA
Auditor General

Winnipeg, Manitoba
June 6, 2008

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2008
(with comparative figures for 2007)

ASSETS

	2008 $000	2007 $000
Current Assets:		
Cash and Cash Equivalents (Note 4)	$12,791	$18,777
Accounts Receivable	6,638	3,531
Due from Related Parties (Note 20)	135	1,223
Prepaid Expenses	959	748
Inventory	1,057	1,193
	21,580	25,472
Long Term Investments (Note 5)	1,566	1,566
Capital Assets (Note 6)	76,410	56,400
	$99,556	$83,438

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Liabilities	$8,470	$5,808
Deferred Revenue	2,297	2,634
Deferred Contributions (Note 7)	5,350	5,702
Staff Benefits (Note 8)	1,496	1,382
Current Portion of Long Term Debt (Note 10, 11)	1,271	916
Due to Related Party (Note 20)	301	179
	19,185	16,621
Obligations under Capital Leases (Note 10)	386	423
Long Term Liabilities (Note 11)	4,643	1,414
Deferred Capital Contributions (Note 12)	60,048	48,221
Net Assets:		
Unrestricted Net Assets	332	2,101
Internally Restricted Net Assets (Note 13)	751	1,395
Endowments (Note 14)	2,684	2,684
Investment in Capital Assets	11,527	10,579
	15,294	16,759
	$99,556	$83,438

Special Purpose and Trust Assets (Notes 4, 14)
Commitments (Notes 16, 17, 18, 23)
Contingencies (Note 19)

Approved by the Board of Regents

(Original signed by Terry Hidichuk)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

Statement II

	2008 $000	2007 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$42,706	$40,448
Other Province of Manitoba	1,906	1,662
Government of Canada	2,775	2,708
Student Academic Fees	28,184	28,335
Gifts, Grants and Bequests	1,898	1,257
Investment Income	1,611	1,684
Sales of Services and Products	4,641	4,626
Other Revenues	5,811	5,178
Amortization of Deferred Capital Contributions (Note 12)	1,695	1,668
	91,227	87,566
EXPENSES		
Salaries	53,739	50,095
Staff Benefits	7,315	6,908
Supplies, Services and Other Expenses	13,696	13,881
Cost of Sales	3,057	3,049
Building, Utility and Related Expenses	7,127	6,376
Provincial and Municipal Taxes	1,151	1,099
Scholarships and Awards	2,670	2,601
Gifts to Related Parties (Note 20)	1,004	818
Amortization of Capital Assets	2,933	2,822
	92,692	87,649
DEFICIENCY OF REVENUE OVER EXPENSES	($1,465)	($83)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

Statement III

	2008					2007
	UNRESTRICTED NET ASSETS $000	INTERNALLY RESTRICTED NET ASSETS (Note 13) $000	ENDOWMENTS (Note 14) $000	INVESTMENT IN CAPITAL ASSETS $000	TOTAL $000	TOTAL $000
BALANCE, BEGINNING OF YEAR	$2,101	$1,395	$2,684	$10,579	$16,759	$16,620
Deficiency of Revenue Over Expenses	(1,465)				(1,465)	(83)
Direct Increases (Decreases):						
Endowment Contributions					0	222
Transfers:						
Internally Funded:						
Capital Asset Additions	(1,930)			1,930	0	0
Amortization of Capital Assets	1,107			(1,107)	0	0
Loss on Disposal of Capital Assets	4			(4)	0	0
Repayment of Long Term Debt	(129)			129	0	0
Internally Restricted Net Assets	181	(181)			0	0
Strategic Provisions – Reductions (Note 13)	463	(463)			0	0
NET CHANGE FOR THE YEAR	(1,769)	(644)	0	948	(1,465)	139
BALANCE, END OF YEAR	$ 332	$ 751	$2,684	$11,527	$15,294	$16,759

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2008
(with comparative figures for 2007)

Statement IV

	2008 $000	2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$44,987	$45,352
Student Academic Fees	28,024	27,823
Gifts, Grants and Bequests	1,080	2,109
Investment Income	1,745	1,676
Sales of Services and Products	4,705	4,575
Other Revenues	5,878	5,594
Cash Paid for:		
Salaries and Benefits	(59,776)	(56,934)
Supplies, Services and Other Expenses	(14,010)	(13,803)
Cost of Sales	(3,025)	(2,938)
Building, Utility and Related Expenses	(6,442)	(6,610)
Provincial and Municipal Taxes	(1,151)	(1,099)
Scholarships and Awards	(2,658)	(2,610)
Gifts to Related Parties	(833)	(995)
	(1,476)	2,140
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(22,624)	(4,581)
	(22,624)	(4,581)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Contributions Received for Endowment	0	222
Long Term Debt Repayments on Mortgages	(843)	(234)
Long Term Debt – Building Purchase	4,400	0
Cash Received for Deferred Capital Contributions	14,557	8,125
	18,114	8,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,986)	5,672
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,777	13,105
CASH AND CASH EQUIVALENTS, END OF YEAR	$12,791	$18,777
Cash and Cash Equivalents Consists of:		
Cash in Bank	6,160	2,721
Short Term Investments	6,631	16,056
	$12,791	$18,777

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling $114 (2007 - $605).

See accompanying notes to the consolidated financial statements.

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Debt owing to the Province of Manitoba is reflected as deferred capital contributions in the statement of financial position. The related revenue earned from the Council on Post Secondary Education to offset the interest expense and the interest expense are both excluded from the statement of operations and changes in fund balances.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at fair value with the exception of a donated equity investment in certain properties, which is recorded at estimated fair value on the date received and designated as available for sale.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Collections include Art Work and Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings, Additions and Improvements	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings and Equipment	10 years
Major System Computer Software	10 years
Computer Equipment and Software	5 years
Vehicles	5 years
Equipment under Capital Lease	Term of Lease

G) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

H) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at the University. The University of Winnipeg Foundation (the Foundation) (Note 17) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 18), both controlled entities, are not consolidated in these financial statements.

l) Future Accounting Changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – *Capital Disclosures*, Handbook Section 3862 – *Financial Instruments – Disclosures* and Handbook Section 3863 – *Financial Instruments – Presentation*. These new standards apply to the University effective April 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In addition, the CICA issued a new accounting standard, Handbook Section 3031 – *Inventories*, that replaces Handbook Section 3030. This new section provides guidance as to costs that can be included in inventories and requires that inventories be measured at the lower of cost and net realizable value.

The University is currently assessing the impact that these new standards will have on its financial statements for the year ending March 31, 2009.

3. Change in Accounting Policy:

The organization adopted the new CICA Handbook Section 3855 – *Financial Instruments – Recognition and Measurement* on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, cash and cash equivalents were designated as held-for-trading; accounts receivable and due from related parties as loans and receivables; accounts payable and accrued liabilities, accrued vacation pay, due to related party and long term liabilities as other liabilities.

Long term investments are designated as available for sale as they are comprised of investments that are not held for the purpose of earning short term income and investments that relate to an equity investment for which fair value information is not readily available.

The University does not have any held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

The adoption of the standard on April 1, 2007 had no material impact on net assets.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2008 $000	2007 $000
Operating Funds	$5,295	$10,229
Sponsored Research and Designated Funds	2,675	2,561
	7,970	12,790
Special Purpose and Trust Funds	4,821	5,987
	$12,791	$18,777

Trust funds are restricted funds held for deferred contributions - $2,148 (2007 - $2,870) and endowments - $1,118 (2007 - $1,118). Special purpose funds are comprised of internally restricted net assets - $479 (2007 - $661), due to operating - $673 (2007 - $1,252) and due to related party - $403 (2007 - $86).

5. Long Term Investments

Long term investments are comprised of endowment funds (Note 14):

	2008 $000	2007 $000
Fixed Term Instruments	$600	$600
Investment Shares	50	50
Equity investment in properties	916	916
	$1,566	$1,566

Long term investments are recorded at fair value with the exception of the equity investment in properties of which market information is not readily available.

6. Capital Assets

	2008			2007
	Cost $000	Accumulated Amortization $000	Net Book Value $000	Net Book Value $000
Land	$8,060	$0	$8,060	$2,211
Buildings, Additions and Improvements	66,318	19,649	46,669	42,407
Library Acquisitions	12,879	10,853	2,026	1,905
Furnishings and Equipment	27,698	21,240	6,458	5,964
Collections	1,239	0	1,239	1,221
Buildings Under Construction	11,443	0	11,443	2,159
Equipment Under Capital Lease	719	204	515	533
	$128,356	$51,946	$76,410	$56,400

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

7. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2008 $000	2007 $000
Balance, Beginning of Year	$5,702	$5,033
Contributions Received	7,078	7,555
Contributions Expended	(5,507)	(6,119)
Transferred to Foundation	(1,923)	(767)
Balance, End of Year	$5,350	$5,702
Balance Consists of:		
Sponsored Research and Designated Funds	$3,052	$2,832
Special Purpose Trust	2,148	2,870
Operating Funds	150	0
	$5,350	$5,702

8. Staff Benefits

The balance of staff benefits is comprised of accrued vacation pay of $1,496 (2007 - $1,382).

9. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $1,250. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2008 or March 31, 2007.

10. Obligations under Capital Leases

The following is a schedule of future minimum lease payments under capital leases expiring between June 1, 2011 and March 1, 2013 together with the balances of the obligations under capital leases.

	$000
2008/09	$160
2009/10	160
2010/11	160
2011/12	80
2012/13	14
Total minimum lease payments	574
Less amount representing interest at approximately 3.5%	(46)
Balance of obligations	528
Less: Current Portion	(142)
Obligations under Capital Leases	$386

Interest expense for the current year on the lease obligations amounted to $23 (2007 - $13).

11. Long Term Liabilities

	2008 $000	2007 $000
Promissory Notes	$4,488	$792
Mortgage Payable	174	204
UWEHC Mortgages Payable	564	589
Supplementary Pensions Payable	546	630
	5,772	2,215
Less: Current Portion	(1,129)	(801)
	$4,643	$1,414

The promissory notes represent unsecured loans from the Province of Manitoba. The loans were used to finance the properties listed below:

	2008 $000	2007 $000
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	$694	$792
CanWest Centre for Theatre and Film Interest rate 4.00%, due March 31, 2011	1,800	0
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,994	0
	$4,488	$ 792

Annual principal payments on the notes during the next five years are: 2009 - $712; 2010 - $713; 2011 - $715; 2012 - $115; 2013 - $116.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40 annual mortgage payment. Principal payments on this mortgage during the next five years are: 2009 - $31; 2010 - $33; 2011 - $35; 2012 - $37; 2013 - $38.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is a variable term mortgage and has a floating interest rate at prime. The four individual mortgages payable on the Spence Street properties are due April 1, 2012 and have an interest rate of 6.55%. Principal payments on these mortgages during the next five years are: 2009 - $302; 2010 - $13; 2011 - $14; 2012 - $15 2013 - $220.

Supplementary pensions payable represents payments to past Presidents for services performed and are based on an actuarial calculation. The amount due in 2009 is $84.

Interest paid during the year on long term liabilities totalled $126 (2007 - $89).

12. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $59,739 (2007 - $43,713) and funds held for future capital project expenditures in the amount of $309 (2007 - $4,508). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2008 $000	2007 $000
Balance, Beginning of Year	$48,221	$40,936
Contributions Received	9,386	1,228
Contributions from University of Winnipeg Foundation Specified Fund	4,106	7,696
Mortgage Principal Contributions	30	29
Amortization of Deferred Capital Contributions	(1,695)	(1,668)
Balance, End of Year	$60,048	$48,221

13. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2008 is $751 (2007 - $1,395). It consists of cumulative net unrestricted trust income of $479 (2007 - $660) and strategic provisions of $272 (2007 - $735).

The cumulative net unrestricted trust income of $479 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures related to strategic provisions are charged to operations with a corresponding transfer of funds from internally restricted (see Statement III).

The strategic provisions provide for:

	March 31, 2007 $000	Reductions $000	March 31, 2008 $000
Infrastructure			
Student Information System	384	(384)	0
Academic Equipment	100	0	100
Building Renovations	53	(2)	51
Strategic Development			
Internal Research Grants	69	(10)	59
Project Development	129	(67)	62
	$ 735	($ 463)	$ 272

14. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of $1,566 – Note 5 (2007 - $1,566) and short-term investments of $1,118 (2007 – $1,118).

Endowments of $2,034 are held in trust in accordance with the terms of a certain bequest. In 2008, the University has a 10% share in the income distribution from this trust (2007 – 10% share).

15. University of Winnipeg Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Trust Company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. A Pension Committee of the Board of Regents of the University was responsible for overseeing the administration of the Plan, monitoring investments and making policy recommendations to the Board until March 25, 2008, when the University and the Stakeholders signed a series of agreements including a Transition Agreement and a Trust Agreement, to transfer the administration of the Plan from the University to an independent Board of Trustees, which will become fully effective July 7, 2008, unless objections are raised by the Canada Revenue Agency or the Manitoba Pension Commission in the intervening period of time. Until then, the University continues as the administrator of the Plan, although the new Board of Trustees, for all intents and purposes, has assumed that responsibility.

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment. The defined benefit side of the Plan is now closed, and all new employees must now participate in the defined contribution side of the Plan.

At December 31, 2007 the fair value of the Plan's net assets was $135,044 (2006 - $139,797). Under the Plan, contributions are made by Plan members, which are matched by the University for the defined contribution members; for defined benefit members, an additional 1% is paid by the University. A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

In accordance with the Canadian Institute of Chartered Accountants (CICA) accounting standard for Employee Future Benefits, Section 3461 of the CICA Handbook – Accounting, the University uses a three-month accelerated measurement date for financial reporting purposes. As a result, with respect to the defined benefit segment of the Plan, the reported value of the plan assets and plan obligations as at December 31, 2007 are $116,485 and $124,184 respectively. The corresponding values for the plan assets and plan obligations projected to the fiscal year-end, March 31, 2008 are $113,989 and $124,625 respectively.

The University, by resolution of the Board of Regents on December 4, 2000, approved in principle Plan amendment #2001/1 that provided for an initial distribution of a surplus then existing equally to Plan members and the University, a further sharing of the remaining surplus to Plan members and the University, and the establishment of a Board of Trustees to operate the Plan at arm's length from the University. Subsequently, investment market conditions led to circumstances where the final distribution to Plan members and the University was not able to proceed.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

The defined contribution segment of the Plan consists of:

	December 31 2007 $000	December 31 2006 $000
Balance, Beginning of Year	$16,561	$13,681
Contributions	2,110	1,870
Refunds and transfers *	(486)	(846)
Net Investment Return *	375	1,856
Balance, End of Year	$18,560	$16,561

* The amounts at December 31, 2006, have been reclassified to reflect the investment return net of all expenses. The amounts shown for Refunds and transfers no longer include Plan expenses.

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the Plan was prepared effective December 31, 2007 by Eckler Ltd., a firm of consulting actuaries.

The benefit obligation has been calculated pursuant to CICA Handbook 3461, using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan financial statements which uses a discount rate based on the expected long-term rate of return consistent with the investment policy of the fund and determined in accordance with accepted actuarial practice.

The financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2007, the "measurement date" and for the purpose of financial statements, the in-year pension expense (and the calculation of the valuation allowance in particular) reflects the employer contributions to the Plan during the three-month period ending March 31, 2008.

Change in Defined Benefit Obligation

	December 31 2007 $000	December 31 2006 $000
Benefit Obligation, January 1	$125,951	$123,114
Current Service Cost	2,816	2,922
Interest Cost	6,138	6,056
Benefits and Refunds Paid	(9,199)	(6,930)
Actuarial Loss (Gain)	(1,522)	789
Benefit Obligation, December 31	$124,184	$125,951

Change in Plan Assets

	December 31 2007 $000	December 31 2006 $000
Fair Value of Plan Assets, January 1	$123,236	$113,374
Actual Return on Plan Assets, Net of Expenses	(235)	14,072
Employer Contributions	1,748	1,750
Employee Contributions	935	970
Benefits and Refunds Paid	(9,199)	(6,930)
Fair Value of Plan Assets, December 31	$116,485	$123,236

Reconciliation of Accrued Benefit Asset

	March 31 2008 $000	March 31 2007 $000
Accrued Benefit Asset (Obligation)	($7,699)	($2,715)
Employer Contributions After December 31	423	288
Unamortized Transitional Asset	(3,188)	(3,644)
Unamortized Net Actuarial Loss	11,160	6,448
Accrued Benefit Asset, Before Valuation Allowance	696	377
Valuation Allowance	(696)	(377)
Accrued Benefit Asset, Net of Valuation Allowance	$ 0	$ 0

Components of Pension Expense

	December 31 2007 $000	December 31 2006 $000
Employer Share of Current Service Cost	$1,881	$1,952
Interest Cost	6,138	6,056
Expected Return on Plan Assets	(5,999)	(5,563)
Amortization of Transitional Asset	(456)	(456)
Amortization of Actuarial Loss	0	186
Increase (Decrease) in Valuation Allowance	319	(434)
Net Pension Expense	$1,883	$1,741

Significant actuarial assumptions used in the determination of the 2007 pension expense were:

Discount Rate	- pre and post-retirement	5.00%
Rate of salary increase	- 2007	4.00%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2007 were:

Discount Rate	- pre and post-retirement	5.35%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

In accordance with CICA Handbook Section 3461, as the amortization of the pension expense is less than 10% of the benefit obligation it is not recorded in the financial statements.

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan has a solvency deficiency of $20,665.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's exemption regulation (regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

As part of the discussions with government in the period leading up to the exemption regulation, it was contemplated that the annual funding requirement for the going-concern deficiency revealed in the 2004 valuation be continued until that deficiency is eliminated. The going-concern deficiency at December 31, 2004 was $3,746 and the annual funding payments were $386. While the remaining going-concern deficiency has declined to $2,384 at December 31, 2007, the University will continue to make annual contributions of $386 until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2007, the University is required to make additional contributions of $304 in 2008, $295 in 2009, $291 in 2010 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary has estimated that these changes will add approximately $1,100 to the actuarial present value of accrued benefits at December 31, 2004 and would have increased the annual special funding payments by approximately $110 per year at that time. The 2005 amendments have not yet come into effect. The longer the effective date is delayed; the financial impact will tend to decline as active members retire.

16. Commitments

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including December 31, 2017. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above contracts require annual payments over the next 5 years and thereafter as follows:

	$000
2008/09	$6,927
2009/10	1,423
2010/11	1,059
2011/12	926
2012/13	951
Thereafter	4,141
	$15,427

17. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

(a) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University.

During 2006-2007 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to increase the annual operating grant to the Foundation to $575 per year. This increase in the operating grant compensates for the declining Specified Fund interest income previously available to the Foundation to assist in funding its operations. However, no formal agreement has been signed to reflect this change.

(b) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupied space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of $45 per annum for occupancy and support services. The Agreement is effective for an initial term ending March 31, 2004 with an option for automatic renewal for a subsequent 5 year term thereafter.

Based on discussions in June 2006, and the approval of the University's Board of Regents, the University has agreed to waive the occupancy and support costs of $45 per year, relating to modern, occupancy space on the 7th floor of 491 Portage Avenue, for the remaining two years of the agreement commencing April 1, 2007.

(c) Specified Fund Agreement

This Agreement provides for the transfer of the $14,000 Government of Manitoba capital contribution from the University to the Foundation. The Agreement contemplates the disbursement of $14,000 to the University on a scheduled basis, which coincides with proposed capital projects under the Campus Development Plan, including Wesley Hall. The Foundation is entitled to retain any interest/appreciation in capital achieved during the time the Foundation holds the funds.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

This Agreement states that the Foundation will assume responsibility for the Endowment Fund effective April 1, 2004. In accordance with the Endowment Agreement, the Foundation has a commitment to provide the University with an amount equal to the agreed percentage multiplied by the current year's beginning balance of the contributed capital. The agreed percentage is established by the Foundation and the University between September and December of each year.

The University and the Foundation have agreed that the amount will be determined by applying the agreed percentage (4.05% for 2007-2008) to the prior year beginning balance of the contributed capital plus a pro-rated percentage of the agreed percentage for those gifts received in each quarter of the previous year. (ie. ¾ of 4.05% for those gifts received in the first quarter, ½ of 4.05% in the second quarter and ¼ of 4.05% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with $1,000 in 2007-2008.

The Foundation is entitled to an annual administration fee equal to ½ of 1% of the Endowment Fund capital of the previous year (or such other higher percentage as the University may agree to from time to time). On November 29, 2004, the University agreed to increase this fee to 2% retroactive to April 1, 2004 for a four-year period, ending March 31, 2008. On April 24, 2008, the University confirmed its continued support of the Foundation by providing that the Foundation may continue to retain an annual administration fee of 2% each year for the duration of the Capital Campaign.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 20 on Related Party Transactions and Balances. The Foundation is a controlled entity of the University based upon the following factors:

i) The University has representation on the Foundation's Board of Directors and has the authority to approve members at its discretion.

ii) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

iii) The Foundation requires the University's consent to amend its by-laws.

iv) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31 is summarized as follows:

	2008 $000	2007 $000
Statement of Financial Position:		
Assets	$39,200	$41,994
Liabilities	726	1,813
Fund Balances:		
Operating Fund	109	585
Unrestricted Fund	10	14
Investment in Capital Assets	48	52
Building and Program Fund	5,171	4,303
Funds Held Pending Terms of Reference	57	60
Specified Fund	59	2,465
Unrestricted Bequests	254	0
Endowment Fund	32,766	32,702
	38,474	40,181
	$39,200	$41,994
Statement of Operations		
Sources of Funds		
Transfer from University of Winnipeg	$927	$5,090
Investment Income	2,867	2,418
Unrealized (Loss) Gain on Investments	(3,247)	880
University of Winnipeg Support Funding	575	575
Endowment Administration Fee	584	549
Annual Donations	5,334	7,169
	7,040	16,681
Uses of Funds:		
Capital Programs	2,406	7,609
Endowment - Gifts to the University	1,000	953
Endowment - Administration Fee	584	549
Endowment - Administration Expenses	99	92
Operations	1,564	1,107
Donations Gifted to the University of Winnipeg	3,095	1,550
	8,748	11,860
Increase (Decrease) in Funds Prior to Change in Accounting Policy and Restatement of Prior Period	(1,708)	4,821
Change in Accounting Policy	0	1,028
Restatement of Prior Period	0	955
Increase (Decrease) in Funds	($1,708)	$6,804

The financial information of the Foundation, shown above, reflects the adoption of two new CICA Handbook sections on financial instruments (section 3855 and section 3861). As of March 31, 2007, these sections were applied retroactively without restatement of comparative financial information. As a result of the adoption, the Foundation recorded a non-cash credit of $1,028 in the endowment fund.

Restrictions are placed upon expenditures within Funds including:

i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.

ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.

iii) The Building and Program Fund is specifically intended to record the receipt of all donations intended for University programs and capital projects.

iv) The Specified Fund consists of the initial funding of $14,000 transferred to the Foundation from the University, pursuant to the "Specified Fund Agreement".

v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.

vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a $300 per annum operating grant, reducing by $30 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and thereafter as follows:

	$000
2008/09	575
2009/10	300
2010/11	270
2011/12	240
2012/13	210
Thereafter	180
	$1,775

During the budget process in 2007-2008, the University agreed to increase the operating grant from $300 to $575 per annum on a year-to-year basis, subject to the approval of the Board of Regents. However, no formal agreement has been signed to reflect this change.

18. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of the University. UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

During the year, UWCRC provided consulting services (in accordance to agreements entered into) to the University in connection with the following:

a) To assist the University with the design and development of the Science Building Complex on the basis of a per diem fee of $1.

b) To undertake the design and development of the Duckworth Building Complex on behalf of the University based on a performance based fixed price contract. The amount of the consulting fee for services rendered is $212.

c) To manage the University's Student Housing assets and all aspects of the Student Housing Program for a fixed annual fee of $250. In return, the UWCRC contracted back to the University for delivery of the Student Life aspects of the Student Housing Program, which continues to be managed by the University's Student Life Services Department, for a fixed annual fee of $175.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University is leasing office space in the Property.

UWCRC records its 25% investment in the Property on an equity basis as a result of significant influence.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate $1.00 in revenue from its tenants for each $1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0.

The financial position of UWCRC at March 31 is summarized as follows:

	2008 $000	2007 $000
Statement of Financial Position:		
Assets:		
Cash	$198	$105
Investment, at Equity	900	762
Other	89	7
	$1,187	$ 874
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	$41	$25
Due to University of Winnipeg (Note 20)	78	102
Net Assets	1,068	747
	$1,187	$ 874

	2008 $000	2007 $000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	$25	$100
Share of Equity Income	221	0
Consulting	450	311
Net Property Income	69	25
Other	68	58
	833	494
Expenses	512	431
Excess of Revenue over Expenses	321	63
Net Assets – Beginning of Year	747	624
	1,068	687
Net Assets on Acquisition	0	60
Net Assets – End of Year	$1,068	$ 747

19. Contingencies

a) The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2008.

b) On December 8, 2006, the Superintendent of Pensions of Manitoba issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount of $6,454, plus interest net of adjustments of approximately $1,644, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan's surplus, as determined by the Plan Actuary in 1999, which surplus later ceased to exist, as a result of the market downturn in the Fall/Winter of 2001/02.

The University appealed the Superintendent's decision to the Manitoba Pension Commission, and the Commission's decision was made on April 23, 2008. The decision upheld the Superintendent's order, and the University intends to further appeal to the Manitoba Court of Appeal. The appeal is likely to be heard during the Winter of 2009, and the decision of the Court of Appeal will, in all likelihood, be final. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the University as the outcome of the appeal is undeterminable.

20. Related Party Transactions and Balances

The University of Winnipeg Foundation (Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC) are controlled entities of the University. The University of Winnipeg Pension Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2007-2008 was $56 (2006-2007 - $55). In addition, the University incurred a pension expense of $2,827 (2007 - $2,713) that is paid to the Pension Plan. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

		2008 $000	2007 $000
From the University to the Foundation:			
i)	Operating grant	$575	$575
ii)	Gifts for endowment	$1,004	$818
iii)	Transfer of Science Complex funding	$0	$5,000
iv)	Transfer of income allocation	$920	$0
From the Foundation to the University:			
i)	Transfer of specified funds	$2,417	$2,724
ii)	Transfer of annual donations	$3,095	$1,425
iii)	Income allocation	$1,000	$953
iv)	Transfer of Science Complex funding	$0	$5,000
From the University to UWCRC			
i)	Consulting fees	$475	$309
From UWCRC to the University			
i)	Management fees	$176	$102

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

As a result of a difference in the interpretation of the Endowment Fund Agreement, specifically regarding the calculation of the income allocation, the amount transferred was $920 plus interest of $76. The effect of this refund on the University's financial statements is a reduction in deferred contributions.

At the end of the year, the amounts due to and from related parties are as follows:

	2008 $000	2007 $000
Due from Related Parties		
Specified Fund – Foundation	$52	$1,084
Operating – UWCRC	83	139
	135	1,223
Due to Related Party		
Operating – Foundation	301	179
	$ 301	$ 179

21. Financial Instruments

a) Fair value

The carrying amounts of short term financial assets and liabilities approximate their fair values due to the short term maturity of these instruments. Short term financial assets are comprised of cash and cash equivalents and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities. The fair value of obligations under capital leases and long term liabilities also approximate their carrying value as the rates are consistent with market rates. The fixed term instruments included in long term investments are recorded at fair value based on period end quoted market prices. The fair value of the properties included in long term investments is not determinable as it is not readily available. The fair value of the investment shares shown in long term investments are not determinable as these shares are not publicly traded and no market price is readily available.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of certain of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

22. Reclassification of Comparative Figures

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008.

23. Richardson College for the Environment & Science Complex

The University has commenced the development and design of the Richardson College for the Environment and Science Complex to be completed in September 2010. The University signed a Definitive Agreement with Laureate Developments Inc. (the Developer) to assemble and transfer lands to the University that will become the site for the University's Science Complex, develop and build the Science Building Complex for the University on a turnkey basis and assist the University in attracting partners to the project for the purposes of fund-raising.

The University has received a commitment from the Provincial Government to provide funding of $25,000 to contribute to the funding of the Science Building Complex. The University has received payments of $5,000 and $5,311 from the Provincial Government. The advances have been recorded as deferred capital contributions. The advances are secured by promissory notes payable to the Province of Manitoba in the amount of $5,000 and $5,311 bearing interest at 5.15% and 5.80% respectively. The notes are repayable over a term of 40 years with funding from the Province of Manitoba.

The first $10,311 has been unconditionally advanced to the University. The remaining $14,689 will be advanced to the University on the basis of $1.00 advance for every $2.00 raised on the University of Winnipeg Foundation's Capital Campaign.

To the Shareholders of Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2008 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year financial statements were audited by another firm of Chartered Accountants.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 12, 2008

Chartered Accountants

Venture Manitoba Tours Ltd

Balance Sheet

As at March 31, 2008

	2008	2007
Assets		
Current		
Cash	129,923	83,030
Accounts receivable	5,460	2,703
Inventory	46,131	36,710
Prepaid expenses and deposits	32,559	5,950
	214,073	128,093
Property and equipment (Note 4)	640,746	636,486
	854,819	764,579
Liabilities		
Current		
Accounts payable and accruals	165,238	927,443
Customer deposits	22,337	21,058
Advances from the Province of Manitoba (Note 5)	250,000	250,000
	437,575	1,198,501
Shareholders' Equity (Deficit)		
Share capital (Note 6)	3,643,500	3,643,500
Deficit	(3,484,166)	(4,335,332)
Contributed surplus	257,910	257,910
	417,244	(433,922)
	854,819	764,579

Approved on behalf of the Board

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd

Statement of Operations and Deficit

For the year ended March 31, 2008

	2008	2007
Sales	1,274,212	1,352,091
Cost of sales	931,569	942,751
Gross margin	342,643	409,340
Operating expenses (Schedule 1)	159,264	198,614
Earnings from operations	183,379	210,726
Other income (expense)		
Amortization	(127,303)	(114,209)
Gain on disposal of assets	24,486	24,978
Forgiveness of debt (Note 7)	770,774	-
Interest	(170)	(655)
	667,787	(89,886)
Net earnings	851,166	120,840
Deficit, beginning of year	(4,335,332)	(4,456,172)
Deficit, end of year	(3,484,166)	(4,335,332)

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd

Statement of Cash Flows

For the year ended March 31, 2008

	2008	2007
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	1,263,919	1,360,965
Cash paid to suppliers and employees	(1,118,296)	(1,168,005)
Interest received (paid)	8,348	(655)
	153,971	192,305
Financing activities		
Repayment of long-term debt	-	(8,662)
Investing activities		
Purchases of property and equipment	(131,564)	(81,394)
Proceeds on disposal of property and equipment	24,486	24,500
	(107,078)	(56,894)
Increase in cash resources	46,893	126,749
Cash resources (deficiency), beginning of year	83,030	(43,719)
Cash resources, end of year	129,923	83,030

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Venture Manitoba Tours Ltd (the "Company") was incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area, and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is not subject to income tax.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Property and equipment

Property and equipment are recorded at cost less applied grant funds. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Staff quarters	straight-line	10 to 25 years
Automotive	straight-line	3 years
Golf course improvements	straight-line	10 to 40 years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

Revenue recognition

The Company recognizes revenue when the goods are received by the customer and the services are provided.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Long-lived assets:

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets carrying amount. Impairment is measured as the amount by which the assets carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Financial instruments

Held for trading:

The Company has classified cash as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Company has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Company has classified accounts payable and accruals and advances from the Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Comprehensive income (loss)

The Company does not have any items giving rise to other comprehensive income (loss), nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Change in accounting policies

In April 2005, the Accounting Standards Board issued two new Handbook sections on financial instruments that affect the Company, Section 3855 and Section 3861. Section 3855 Financial Instruments - Recognition and Measurement addresses when financial instruments should be recognized and how they should be measured. Section 3861 Financial Instruments - Disclosure and Presentation provides standards for how financial instruments should be classified on financial statements and the disclosure requirements.

The Company has adopted both of the sections for the fiscal year ended March 31, 2008. These standards were applied retroactively without restatement of comparative financial statements.

4. Property and equipment

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Staff quarters	102,395	45,034	57,361	61,457
Automotive	855,662	737,851	117,811	128,368
Computer equipment	59,225	59,225	-	-
Golf course improvements	590,926	125,352	465,574	446,661
	1,608,208	967,462	640,746	636,486

5. Advances from the Province of Manitoba

The Advances from the Province of Manitoba are unsecured, non-interest bearing and due on demand.

6. Share capital

	2008	2007
Authorized		
Unlimited Common shares		
Issued		
Common shares		
3,643,500 Common shares	3,643,500	3,643,500

7. Forgiveness of debt

During the year, the Province of Manitoba forgave $770,774 of outstanding lease and interest payments.

8. Commitments

The Company operates the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba for an amount of $109,413.

The Company rents space and equipment under various operating leases which expire through 2009 for $91,100.

9. Government reporting entity - related parties

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2008, the Company had the following balances with entities in the Government Reporting Entity:

	2008	2007
Payable to:		
Manitoba Hydro	988	1,808
Department of Conservation	109,413	870,272
	110,401	872,080

10. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Venture Manitoba Tours Ltd

Schedule 1 - Schedule of Operating Expenses

For the year ended March 31, 2008

	2008	2007
Automotive	3,012	7,143
Directors' fees	10,135	16,257
Membership fees	4,040	4,040
Equipment rentals	5,332	6,741
Insurance and leases	7,843	9,853
Miscellaneous	2,246	1,856
Printing and stationary	933	847
Professional fees	11,527	36,041
Sales office rent	5,062	5,068
Repairs and maintenance	3,588	10,422
Salaries, wages and benefits	66,864	62,225
Telephone and postage	4,101	3,742
Training and education	6,465	10,097
Utilities	5,278	5,514
Transportation	7,216	4,248
Credit card discount	15,622	14,520
	159,264	198,614

GOVERNMENT ENTERPRISES

LEAF RAPIDS TOWN PROPERTIES LTD. AUDITED FINANCIAL STATEMENTS FOR MARCH 31, 2008 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION as at March 31, 2008 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
July 8, 2008

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31	2008	2007
Assets		
Current Assets		
Cash and bank	$ 26,599	$ 62,140
Accounts receivable	67	-
Rent receivable (Note 3)	654,486	463,746
	681,152	525,886
Long-term investment - Miller Environmental Corporation	1,000,000	1,000,000
Capital assets - land, at cost	170,305	170,305
	$ 1,851,457	$ 1,696,191
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,024	$ 10,024
Equity		
Share capital (Note 2)	7,500,000	7,500,000
Deficit	(5,658,567)	(5,813,833)
	1,841,433	1,686,167
	$ 1,851,457	$ 1,696,191

On behalf of the Board

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2008	2007
Revenue		
Gross profit rent (Note 3)	**$ 190,740**	$ 180,780
Expenses		
General and administrative expenses	**35,474**	32,307
Net income and comprehensive income for the year	**155,266**	148,473
Deficit, beginning of year	**(5,813,833)**	(5,962,306)
Deficit, end of year	**$ (5,658,567)**	$ (5,813,833)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	**$ 155,266**	$ 148,473
Changes in non-cash working capital balances		
Rent receivable	**(190,740)**	(180,780)
Accounts receivable	**(67)**	-
Accounts payable and accrued liabilities	**-**	(403)
Decrease in cash and cash equivalents for the year	**(35,541)**	(32,710)
Cash and cash equivalents, beginning of year	**62,140**	94,850
Cash and cash equivalents, end of year	**$ 26,599**	$ 62,140

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2008

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

Revenue Recognition

Gross profit rent revenue is based on the gross profit of Miller Environmental Corporation (MEC). MEC has a year-end date of February 28 and the gross profit rent revenue is calculated using the year-end audited financial statements of MEC. Therefore, gross profit rent revenue is recognized for the MEC year ending February 28th by Manitoba Hazardous Waste Management Corporation each year.

Financial Instruments

The organization's financial instruments consist of cash and bank, rent receivable, long-term investment, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of cash and bank, accounts receivable, rent receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The fair value of the long-term investment can not be reasonably estimated.

New Accounting Policies

Effective April 1, 2007 the organization adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes - Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the organization's financial statements for the year ended March 31, 2008.

Section 1530, Comprehensive Income - Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The organization has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the organization has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement - Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The organization is required to designate its financial instruments into one the following five categories: held for trading; available for sale; held to maturity; loans and receivable; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

New Accounting Policies
(continued)

The organization has designated its financial instruments as follows:

Cash and bank are classified as financial assets held for trading and are measured at fair value and gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable and rent receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

The long-term investment is classified as available-for-sale. Since the investment does not have a quoted market price in an active market, it is carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the statement of operations. Transaction costs related to available-for-sale investments are expensed as incurred.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

The adoption of this revised standard had no material impact on the entity's financial statements for the year ended March 31, 2008.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862 *Financial Instruments - Disclosures* and CICA 3863 *Financial Instruments - Presentation*, which enhances the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

1. Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The organization, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the organization entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the organization retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

2. Share Capital

The authorized capital of the organization is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2008	2007
75,000 common shares	**$ 7,500,000**	$ 7,500,000

3. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28 is as follows:

February 28, 2008	$ 190,740
February 28, 2007	180,780
February 28, 2006	77,419
February 28, 2005	94,817
February 28, 2004	21,115
February 28, 2003	16,998
February 28, 2002	57,323
February 28, 2001	15,294
	$ 654,486

4. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

5. Economic Dependence

The organization is economically dependent on Miller Environmental Corporation. The organization's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

6. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $7,781. No employee's compensation exceeded $50,000 per year.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

MANAGEMENT REPORT
For the year ended March 31

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 5, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management

R. B. Brennan, FCA
President and Chief Executive Officer

V. A. Warden, CMA, FCMA
Vice-President,
Finance and Administration and Chief Financial Officer

Winnipeg, Canada
June 5, 2008

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
MANITOBA HYDRO-ELECTRIC BOARD

We have audited the consolidated balance sheet of Manitoba Hydro-Electric Board as at March 31, 2008 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst • Young LLP

Chartered Accountants

Winnipeg, Canada
May 30, 2008

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2008	2007
			millions of dollars	
Revenues				
Electric	Manitoba		1 098	1 040
	Extraprovincial	3	625	592
Gas	Commodity		386	379
	Distribution		141	129
			2 250	2 140
Cost of gas sold			386	379
			1 864	1 761
Expenses				
Operating and administrative			391	386
Finance expense		4	440	506
Depreciation and amortization			349	332
Water rentals and assessments		5	124	112
Fuel and power purchased			134	226
Capital and other taxes			80	77
			1 518	1 639
Net Income			346	122

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Retained earnings, beginning of year		1 407	1 285
Adjustments for the adoption of new accounting policies	2	69	-
Net income		346	122
Retained Earnings, end of year		1 822	1 407

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2008	2007
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	11 861	11 424
Less accumulated depreciation	6	4 187	3 924
		7 674	7 500
Construction in progress	6	1 238	878
		8 912	8 378
Current Assets			
Cash and cash equivalents		133	1
Accounts receivable and accrued revenue		465	426
Interest receivable		10	10
Materials and supplies, at average cost		101	117
		709	554
Other Assets			
Sinking fund investments	7	700	630
Pension assets	8	781	800
Deferred charges	9	557	452
Goodwill		108	108
		2 146	1 990
		11 767	10 922

Approved on behalf of the Board:



Victor H. Schroeder, QC
Chair of the Board



William Fraser, FCA
Chair of the Audit Committee

	Notes	2008	2007
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 517	6 192
Sinking fund investments shown as assets	7	700	630
	10	7 217	6 822
Current Liabilities			
Accounts payable and accrued liabilities	11	337	305
Notes payable	12	-	148
Accrued interest		106	138
Current portion of long-term debt	10	353	405
		796	996
Other Liabilities			
Deferred liabilities and credits	13	388	508
Pension obligation	8	714	663
Asset purchase obligation	14	225	228
		1 327	1 399
Contributions in Aid of Construction		300	298
Equity			
Retained earnings		1 822	1 407
Accumulated other comprehensive income		305	-
		2 127	1 407
		11 767	10 922

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Operating Activities			
Cash receipts from customers		2 208	2 069
Cash paid to suppliers and employees		(1 051)	(1 095)
Interest paid		(560)	(563)
Interest received		33	32
		630	443
Financing Activities			
Proceeds from long-term debt		981	172
Retirement of long-term debt		(311)	(79)
Notes payable		(148)	148
Other		(35)	(14)
		487	227
Investing Activities			
Property, plant and equipment, net of contributions		(827)	(645)
Sinking fund payment		(96)	(100)
Other		(62)	(43)
		(985)	(788)
Net increase (decrease) in cash		132	(118)
Cash at beginning of year		1	119
Cash at end of year		133	1

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2008	2007
	millions of dollars	
Net Income	346	122
Other Comprehensive Income		
Unrealized foreign exchange gains on debt in cash flow hedges	229	-
Realized foreign exchange gains on debt in cash flow hedges recognized in net income in the current year	(52)	-
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	20	-
	197	-
Comprehensive Income	543	122

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	Notes	2008	2007
		millions of dollars	
Balance, beginning of year		-	-
Adjustments for the adoption of new accounting policies	2	108	-
Other comprehensive income		197	-
Balance, end of year		305	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or liabilities which are generally comprised of the following:

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Site restoration costs - Site restoration costs incurred are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.
- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/ refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/ payable, and recovered or refunded in future rates.
- Gas Power Smart programs - The costs of the Corporation's energy conservation programs for its natural gas operations are deferred and amortized on a straight-line basis over a period of 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 65 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 57 years
Distribution		15 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the retirement cost is added to the carrying amount of the related asset. In subsequent periods, the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Contributions in Aid of Construction**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Planning Studies**

The costs of planning studies related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

f) **Electric Power Smart programs**

The costs of the Corporation's electric energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 15 years.

g) **Revenues**

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

h) **Cost of Gas Sold**

Cost of natural gas sold is recorded at the same rates charged to customers.

i) **Employee Future Benefits**

Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and The Winnipeg Civic Employees' Benefits Board Program (EBBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation rates. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. Expected returns on fund assets are calculated using market related values based on a five year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the EBBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

94
95

j) **Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

k) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

The Corporation has classified its financial instruments as follows:

Held-for-Trading	Loans and Receivables	Available-for-Sale	Other Financial Liabilities
Cash and cash equivalents	Accounts receivable and accrued revenue	Sinking fund investments	Long-term debt (including current portion)
U.S. forward exchange contracts	Interest receivable		Accounts payable and accrued liabilities
			Notes payable
			Accrued interest
			Asset purchase obligation

l) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time the corresponding exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

m) **Derivatives**

The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

n) **Hedges**

The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

o) **Debt Discounts and Premiums**

Debt discount and premiums are amortized to finance expense using the effective interest method.

p) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

q) **Goodwill**

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

r) **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Accounting Changes

Effective April 1, 2007, Manitoba Hydro adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 1506, *Accounting Changes*. This section establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. The adoption of this standard had no impact on the financial statements of Manitoba Hydro.

Financial Instruments

Effective April 1, 2007, Manitoba Hydro adopted the recommendations of the CICA Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. In accordance with the transitional provisions of these new sections, Manitoba Hydro adopted the standards retroactively with an adjustment to opening retained earnings and AOCI. Comparative amounts for prior periods have not been restated.

Comprehensive Income

Section 1530, *Comprehensive Income*, consists of net income and OCI. Manitoba Hydro now presents separately consolidated statements of comprehensive income and AOCI.

Financial Instruments – Recognition and Measurement

Section 3855, *Financial Instruments*, establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. Initially, all financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the instrument.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. With the adoption of Section 3855, Manitoba Hydro reclassified transaction costs to the carrying value of the long-term debt issues to which they pertain. The change to the effective interest method of amortization was retroactively applied to opening retained earnings for transaction costs as well as debt and investment discounts and premiums. Previously, these costs were recognized separately and amortized on a straight-line basis over the life of the respective debt or investment.

U.S. sinking fund investments are classified as available-for-sale financial instruments. Changes in the fair value of U.S. sinking fund investments due to changes in market interest rates are recorded in OCI until such time that the U.S. sinking fund investment matures or is derecognized, at which time the corresponding balances in AOCI are recognized in net income. Previously, fair value changes for fluctuations in market interest rates were note disclosed only.

Hedges

Section 3865, *Hedges*, specifies the accounting for and criteria that must be satisfied for hedge accounting to be applied to fair value and cash flow hedges.

The Corporation has cash flow hedging relationships between U.S. long-term debt balances and future U.S. export revenues. Accordingly, foreign exchange translation gains and losses on U.S. long-term debt balances in effective cash flow hedge relationships are recognized in OCI until future hedged U.S. export revenues are realized, at which time the respective AOCI balances are also recognized in net income. An opening balance sheet adjustment was made to transfer previously unrealized deferred U.S. foreign exchange gains on long-term debt in an effective cash flow hedge with future U.S. export revenues to AOCI.

Manitoba Hydro has fair value hedging relationships between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

Impact Upon Adoption

The adoption of the new standards resulted in a $69 million increase to the April 1, 2007 retained earnings and a $108 million adjustment to AOCI due to the following:

	Opening Retained Earnings	Opening AOCI
	millions of dollars	
Opening foreign exchange gains on financial instruments in effective hedging relationships	61	-
Change from the straight line method to the effective interest method for amortization of transaction costs and discounts and premiums	8	-
Opening unrealized foreign exchange gains on U.S. long-term debt issues in effective hedging relationships with future U.S. export revenues	-	92
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	-	16
Transition Adjustments	69	108

The adoption of the new standards has increased net income in 2007-08 by $32 million primarily as a result of a reduction in finance charges pertaining to the recognition of foreign exchange gains on U.S. denominated long-term debt.

Future Accounting Changes

Financial Instruments - Disclosure and Presentation

Effective April 1, 2008, the Corporation will adopt CICA Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation*. These sections replace CICA Section 3861, *Financial Instruments – Disclosure and Presentation* and require disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed.

Capital Disclosures

Effective April 1, 2008, the Corporation will adopt CICA Section 1535, *Capital Disclosures*. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e., debt, equity) and its objectives, policy and processes for managing capital.

Inventories

Effective April 1, 2008, the Corporation will adopt CICA Section 3031, *Inventories*. This section converges Canadian standards with International Financial Reporting Standards (IFRS). It requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and, under certain circumstances, allows previous write-downs to be reversed.

Goodwill and Intangible Assets

Effective April 1, 2009, the Corporation will adopt the new CICA Section 3064 - *Goodwill and Intangible Assets* which converges Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets.

The impact of these new standards on Manitoba Hydro's financial statements is currently being assessed.

International Financial Reporting Standards

The CICA's Accounting Standards Board (AcSB) announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board (IASB) effective January 1, 2011. The transition date for Manitoba Hydro of April 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting standards and Manitoba Hydro is currently assessing the impact of those differences.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2008	2007
	millions of dollars	
United States	515	507
Canada	110	85
	625	592

U.S. extraprovincial revenues were translated at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.13 Canadian).

NOTE 4 FINANCE EXPENSE

	2008	2007
	millions of dollars	
Interest on debt	517	575
Interest allocated to construction	(44)	(37)
Investment income	(33)	(32)
	440	506

Included in interest on debt is $73 million (2007 - $71 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province (2007 - 1.0%).

Investment income includes interest earned on sinking fund investments.

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2008	2007
	millions of dollars	
Water rentals	117	105
Assessments	7	7
	124	112

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2007 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	millions of dollars					
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
Generation						
- Hydraulic	4 523	1 413	793	4 391	1 346	560
- Thermal	509	242	6	504	226	5
Transmission						
- Lines	799	251	88	781	237	52
- Stations	2 268	969	68	2 174	900	82
Distribution	2 680	932	42	2 534	850	34
Other	1 082	380	241	1 040	365	145
	11 861	4 187	1 238	11 424	3 924	878

NOTE 7 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund contributions to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Contributions to the sinking fund during the year were $96 million (2007 - $100 million).

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2008	2007
	millions of dollars	
U.S. investments	700	630
	700	630

U.S. investments have a weighted average term to maturity of 2.1 years (2007 - 3.8 years) and an effective yield to maturity of 4.9% (2007 - 4.3%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.15 Canadian). The carrying value includes $36 million (2007 - nil) of unrealized fair value gains.

NOTE 8 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Board Program (the EBBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The EBBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years.

The Corporation fully funds its pension obligation to employees. The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation. The assets related to the Centra Gas curtailed pension plans are held in trust by State Street Trust Co. of Canada and are not reflected on Manitoba Hydro's balance sheet.

The following tables present information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		Centra Gas curtailed pension plans	
	2008	2007	2008	2007
	millions of dollars			
Plan Assets at Fair Value				
Balance at beginning of year	800	719	75	68
Return (loss) on plan assets	(5)	81	(1)	7
Employer contributions	-	-	3	4
Benefit payments and refunds	(14)	-	(5)	(4)
	781	800	72	75
Accrued Benefit Obligation				
Balance at beginning of year	663	606	78	73
Interest on obligation	41	41	5	5
Current service cost	19	19	-	-
Benefit payments and refunds	(30)	(27)	(5)	(4)
Actuarial losses	19	24	3	4
	714	663	81	78
Surplus (deficit) at end of year	67	137	(9)	(3)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2008	2007	2008	2007
	millions of dollars			
Equities	436	470	44	47
Bonds and debentures	247	243	24	25
Real estate	84	74	3	2
Short-term investments	14	13	1	1
	781	800	72	75

The return on pension fund assets for the MH Pension Fund was negative 0.6% (2007 – positive 11.4%). The return for the Centra Gas curtailed plan fund assets was negative 1.7% (2007 – positive 10.8%).

The weighted average term to maturity on fixed income investments is 8.2 years (2007 – 8.5 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2007. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2008.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2007.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2008	2007
Discount rate	6.50%	6.50%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees	14 years	14 years
Long-term inflation rate	2.5%	2.0%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB plan		Centra Gas curtailed pension plans	
	2008	2007	2008	2007
	millions of dollars			
Current service cost	19	19	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	12	11	-	-
Interest on obligation	43	41	5	5
Expected return on plan assets	(50)	(49)	(5)	(5)
Amortization of net experience loss	3	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	28	26	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the EBBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the EBBP during the year amounted to $0.2 million (2007 - $0.4 million) and reflect an employer contribution rate approximating 1.4% of pensionable earnings to July 1, 2007 and 0.6% of pensionable earnings thereafter.

NOTE 9 DEFERRED CHARGES

	2008	2007
	millions of dollars	
Power Smart programs - electric	149	123
Employee future benefits	103	31
Contract receivables	69	60
Affordable Energy Fund (Note 18)	34	34
Advances to TPC (Note 19)	25	14
Planning studies	25	28
Premium on purchase of sinking fund investments	18	34
Regulated assets:		
Site restoration costs	42	38
Deferred taxes	38	40
Acquisition costs	24	26
Power Smart programs - gas	19	11
Other	11	13
	557	452

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2008 would have been reduced by $8 million (2007 - $13 million).

In total, deferred charges of $37 million (2007 - $37 million) were amortized to operations during the period.

NOTE 10 LONG-TERM DEBT

During the current year, the Corporation arranged long-term financing in the amount of $981 million (2007 - $173 million) of which Provincial advances were arranged for $548 million with fixed coupon rates between 4.6% and 4.7% and $252 million with floating rates. Manitoba HydroBonds were issued for $134 million with a weighted average yield of 4.7%. Manitoba Hydro-Electric Board Bonds were issued for $47 million with a fixed coupon rate of 5.75%.

	2008	2007
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	7 114	6 640
Manitoba HydroBonds	212	386
Manitoba Hydro-Electric Board Bonds	244	201
	7 570	7 227
Less: Current portion of long-term debt	353	405
	7 217	6 822

Included in the current portion of long-term debt are $284 million (2007 - $333 million) of debt maturities and $69 million (2007 - $72 million) of floating-rate Manitoba HydroBonds with a maturity date in 2011 and 2012. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of $104 million (2007 - $57 million).

Debt principal amounts (excluding transaction costs) and related yields are summarized by fiscal years of maturity in the following table:

					2008	2007
			millions of Canadian dollars			
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2009	100	4.3%	253	5.9%	353	284
2010	187	5.5%	254	5.8%	441	472
2011	90	4.9%	206	4.5%	296	4
2012	16	4.7%	-	-	16	15
2013	78	5.4%	-	-	78	62
	472	5.1%	713	5.1%	1 185	837
2014-2018	1 472	6.2%	348	7.1%	1 820	1 922
2019-2023	569	6.7%	1 644	7.6%	2 213	2 263
2024-2028	300	7.7%	-	-	300	610
2029-2033	949	9.1%	-	-	949	608
2034-2038	1 025	4.9%	-	-	1 025	475
2039-2057	107	4.9%	-	-	107	107
	4 894	6.5%	2 705	7.4%	7 599	6 822

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date: $1.00 U.S. = $1.03 Canadian (2007 - $1.00 U.S. = $1.15 Canadian).

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
	millions of dollars	
Accounts payable	336	296
Regulated liabilities:		
Purchased gas variance accounts	1	9
	337	305

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $8 million (2007 - decreased by $32 million).

NOTE 12 NOTES PAYABLE

	2008	2007
	millions of dollars	
Canadian notes	-	148
	-	148

The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million. At March 31, 2008, there were no overdrafts or notes payable (2007 - $148 million).

NOTE 13 DEFERRED LIABILITIES AND CREDITS

	2008	2007
	millions of dollars	
Employee future benefits, excluding pensions	136	126
Mitigation liability (Note 17)	127	132
Refundable advances from customers	38	35
Affordable Energy Fund (Note 18)	34	34
Asset retirement obligations	24	30
Non-controlling interest (Note 19)	24	15
Interest income and other credits	4	3
Debt premiums (discounts)	1	(16)
Deferred foreign exchange		149
	388	508

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates that the undiscounted cash flows required to settle the asset retirement obligations are approximately $57 million, $8 million of which will be incurred between March 31, 2008 and March 31, 2011 for polychlorinated biphenyl contaminated oil removal and disposal. The balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in fiscal years 2008 to 2010, and $16 million per annum in fiscal year 2011 and each year thereafter in perpetuity.

NOTE 15 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Manitoba Hydro's operations expose the Corporation to foreign exchange, commodity price, interest rate, and credit risk. Manitoba Hydro's Risk Management Policy is to manage business and operational risks through a systematic, proactive and integrated process which is designed to balance the objectives of identifying threats that affect the achievement of the Corporation's mission and mandate, mitigating the consequences of negative occurrences, and taking advantage of opportunities to provide benefits to all stakeholders. All major risks are closely monitored and effectively managed by the Corporation through a systematic and coordinated process. Risk management activities include risk identification and assessment, risk monitoring, the establishment of risk tolerances, and risk mitigation. The risks of each of the Corporation's subsidiaries are also monitored and managed within the corporate risk management framework. All identified risks are assessed for potential impact using financial, safety, reliability, environment, or customer value criteria. Risk management policies, strategies and limits are designed to ensure Manitoba Hydro's risks and exposures are in line with the Corporation's business objectives and risk tolerances. The Audit Committee of the Board approves the Integrated Risk Management plan developed and maintained by the Corporation.

Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity and fuel in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term debt coupon and principal payments and thermal fuel purchases. As a means to bridge temporary timing differences between inflows and outflows to future years' U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts.

As at March 31, 2008, Manitoba Hydro has outstanding foreign exchange contract purchases of $107 million U.S. (2007 - $90 million U.S.) at a weighted average exchange rate of $0.98 (2007 - $1.10) and £0.2 million U.K. (2007 - £1 million U.K.) at a weighted average exchange rate of $2.29 (2007 - $2.28) and foreign exchange contract sales of nil (2007 - $6 million U.S. at a weighted average exchange rate of $1.15). As of March 31, 2008 outstanding forward exchange contracts had a weighted average term of 73 days (2007 - 64 days). The contracts are recorded at their fair value with changes in fair value recognized in net income of the current period. Fair value gains recorded for these contracts in the current year were $1 million. The fair value of these contracts as at March 31 is as follows:

	2008	2007
	(millions of dollars)	
Foreign exchange forward contracts	5	4

Foreign exchange forward contracts are valued at year-end market prices as provided by the financial institutions with which these contracts are held.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba (the Province) on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favorable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province with the swapped debt arrangement.

Commodity Price Risk

The Corporation mitigates natural gas price volatility to customers through the use of derivative products restricted to price swaps, call options and cashless collars. The Corporation hedges up to 100% of its primary gas baseload volumes for up to twelve (12) months into the future. A stringent control environment is maintained to manage any risks related to the application of derivatives. These contracts are settled in the month the natural gas is delivered.

Centra has entered into cashless collar contracts until January 2009 to purchase 24 500 000 gigajoules (gj) of natural gas at a weighted average upper strike price of $8.37/gj. The weighted average forward price per the Alberta Energy Company Exchange (AECO) at March 31, 2008 was $9.19/gj. Unrealized fair value gains (losses) for these contracts as at March 31 are as follows:

	2008	2007
	millions of dollars	
Cashless collar contracts gains (losses)	22	(1)

Fair value is obtained by using the monthly forward AECO price as reported by the Natural Gas Exchange (NGX) at March 31, 2008.

Interest Rate Risk

Manitoba Hydro is exposed to interest rate risk associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled $1 356 million at March 31, 2008 (2007 - $1 558 million). For information purposes, an increase of 1% in the interest rate would reduce net income by $14 million for the year ended March 31, 2008 (2007 - $15 million).

Interest rate swap agreements transacted by the Province on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which the payments are based. The Province may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province to the Corporation are amended by the swap.

Credit Risk

Credit risk on sinking fund investments, pension assets, and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds, highly rated investments or well diversified investment portfolios. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

The carrying amounts and fair values of the Corporation's financial instruments at March 31 are as follows:

	2008		2007	
Financial instrument	Carrying amount	Fair value	Carrying amount	Fair value
		millions of dollars		
Financial assets				
Cash and cash equivalents	133	133	1	1
Accounts receivable and accrued revenue	465	465	426	426
Interest receivable	10	10	10	10
Sinking fund investments	700	700	630	659
Financial liabilities				
Long-term debt (including current portion)	7 570	9 189	7 227	8 807
Accounts payable and accrued liabilities	337	337	305	305
Notes payable	-	-	148	148
Accrued interest	106	106	138	138
Asset purchase obligation	225	291	228	300

NOTE 16 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $985 million (2007 - $1 301 million) that relate to future purchases of natural gas (including transportation and storage contracts) and coal. Commitments are primarily for natural gas purchases, the majority of which expire in 2010. In addition, other outstanding commitments, principally for construction, are approximately $204 million (2007 - $213 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities, and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity, and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

NOTE 17 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $37 million (2007 - $17 million) during the year. In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $127 million (2007 - $132 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to certain northern development projects. The Corporation has assumed obligations totaling $143 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2008 amounted to $11 million (2007 - $13 million).

To March 31, 2008, $653 million (2007 - $616 million) has been recorded to mitigate and compensate for all project-related impacts. There are other mitigation issues, the outcomes of which are not determinable at this time. In total, such other mitigation issues are not considered to be significant.

NOTE 18 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act (the Act), Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund was established as a Deferred Charge (Note 9) with an offsetting Deferred Credit (Note 13). Expenditures of $1 million (2007 - $1 million) during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 19 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2012.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2008 Manitoba Hydro has provided advances to TPC of $23 million (2007 - $14 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. TPC's non-controlling interest is $24 million (2007 - $15 million).

NOTE 20 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
				millions of dollars				
Revenues (net of cost of gas sold)	1 722	1 632	142	129	-	-	1 864	1 761
Expenses								
Operating and administrative	335	332	56	54	-	-	391	386
Finance expense	401	467	22	22	17	17	440	506
Depreciation and amortization	324	312	23	18	2	2	349	332
Water rentals and assessments	124	112	-	-	-	-	124	112
Fuel and power purchased	134	226	-	-	-	-	134	226
Capital and other taxes	57	55	23	22	-	-	80	77
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 382	1 511	136	128	-	-	1 518	1 639
Net income	340	121	6	1	-	-	346	122
Total assets	11 165	10 325	602	597	-	-	11 767	10 922
Total liabilities	9 065	8 939	575	576	-	-	9 640	9 515
Total retained earnings	1 795	1 386	27	21	-	-	1 822	1 407

NOTE 21 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2007 have been reclassified in order to conform to the presentation adopted in 2008.

MANAGEMENT REPORT

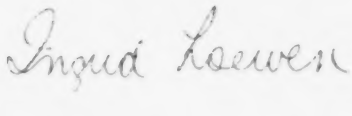
MARCH 31, 2008

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgments.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.



D.V. Lussier
President & Chief Executive Officer



Ingrid Loewen
Chief Financial Officer

8 AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2008 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 9, 2008

STATEMENT OF INCOME [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	2008 $	2007 $
Sales *[schedule]*	**554,769**	521,380
Cost of sales *[schedule]*	**279,543**	261,558
Gross profit *[schedule]*	**275,226**	259,822
Other income *[note 5]*	**4,978**	4,639
	280,204	264,461
General and administrative expenses *[note 6]*	**58,328**	53,934
Depreciation *[note 2]*	**2,666**	2,583
Net profit paid or payable to the Province of Manitoba	**219,210**	207,944

See accompanying notes

8

BALANCE SHEET [IN THOUSANDS OF DOLLARS]
AS AT MARCH 31

	2008 $	2007 $
ASSETS		
Current		
Cash and cash equivalents	**10,024**	7,143
Accounts receivable	**21,669**	19,722
Inventory *[note 4]*	**34,052**	26,953
Prepaid expenses	**972**	999
Total current assets	**66,717**	54,817
Cash [restricted] *[notes 8 and 9]*	**45,271**	–
Property and equipment, net *[note 7]*	**23,117**	14,643
Long-term loan receivable from the Province of Manitoba *[notes 8 and 9]*	**–**	45,271
	135,105	114,731
LIABILITIES		
Current		
Accounts payable – trade and other	**36,596**	32,900
Goods and Services Tax payable	**1,029**	2,179
Manitoba Retail Sales Tax payable	**1,398**	1,304
Net profit payable to the Province of Manitoba	**41,141**	24,644
Environmental Protection Tax payable	**135**	133
Deferred licence fees	**351**	352
Total current liabilities	**80,650**	61,512
Provision for employee pension benefits *[note 6]*	**51,124**	48,844
Provision for retirement allowances *[note 9]*	**3,331**	4,375
	135,105	114,731

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

STATEMENT OF CASH FLOWS [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	**554,026**	520,561
Annual and supplementary licence fees and other	**3,798**	4,194
Goods and Services Tax	**32,641**	33,044
Manitoba Retail Sales Tax	**18,505**	17,063
Manitoba Waste Reduction and Prevention Levy	**485**	467
Environmental Protection Tax	**1,943**	1,868
	611,398	577,197
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	**283,973**	264,706
General and administrative expenses	**55,997**	50,754
Goods and Services Tax	**33,791**	32,173
Manitoba Retail Sales Tax	**18,411**	16,950
Manitoba Waste Reduction and Prevention Levy	**485**	467
Environmental Protection Tax	**1,941**	1,864
	394,598	366,914
Net cash available from operating activities	**216,800**	210,283
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(11,206)**	(4,579)
Net cash available for transfer	**205,594**	205,704
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**178,069**	183,300
Prior year's net profit	**24,644**	22,438
	202,713	205,738
Excess (deficiency) of cash receipts over disbursements and transfers	**2,881**	(34)
Cash and cash equivalents, beginning of year	**7,143**	7,177
Cash and cash equivalents, end of year	**10,024**	7,143

See accompanying notes

8

SCHEDULE OF SALES, COSTS OF SALES AND GROSS PROFIT [IN THOUSANDS OF DOLLARS]

YEAR ENDED MARCH 31

	Spirits $	Wine $	Coolers/ Ciders $	Beer $	Total $
SALES					
Stores	**135,774**	**78,673**	**11,468**	**37,786**	**263,701**
Liquor vendors	**33,967**	**8,960**	**3,536**	**5,589**	**52,052**
Licensees	**20,030**	**4,998**	**2,037**	**198,696**	**225,761**
Specialty wine stores	**161**	**13,025**	**69**	**–**	**13,255**
Total sales for 2008	**189,932**	**105,656**	**17,110**	**242,071**	**554,769**
Total sales for 2007	178,929	96,671	16,112	229,668	521,380
COST OF SALES					
Total cost of sales for 2008	**75,018**	**48,135**	**8,006**	**148,384**	**279,543**
Total cost of sales for 2007	70,157	43,540	7,529	140,332	261,558
Gross Profit for 2008	**114,914**	**57,521**	**9,104**	**93,687**	**275,226**
Gross Profit for 2007	108,772	53,131	8,583	89,336	259,822

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[IN THOUSANDS OF DOLLARS]

MARCH 31, 2008

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act*. The MLCC's mandate is to purchase, sell and regulate beverage alcohol; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Restricted cash consists of cash balances held in a trust account, which has been advanced by the Province of Manitoba to fund the employee pension and retiring allowances benefits.

[c] Accounts receivable includes electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at average cost.

[e] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[f] The property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

Buildings are depreciated on a straight-line basis over 40 years.

[g] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 8. Actuarial gains and losses are recognized in income immediately as detailed in note 8.

[h] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the MLCC adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" and Section 1530, "Comprehensive Income". The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Section 3855 sets out the standards for the recognition and measurement of financial assets and financial liabilities. The new standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the balance sheet classification, fair value or cost-based measures are used. Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses are recognized in net income or other comprehensive income.

Section 1530 introduces new standards for the reporting and disclosure of comprehensive income. Comprehensive income is the change in equity of the entity during the reporting period from transactions and other events and circumstances from non-owner sources such as changes in the fair value of financial instruments designated as cash flows hedges.

Because the MLCC has no items related to other comprehensive income under Section 1530, comprehensive income for the year is equivalent to net income.

The MLCC's financial assets and financial liabilities are measured as follows:

Cash and cash equivalents are classified as held-for-trading and measured at fair value. The gains or losses arising on the revaluation at the end of the year are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost; which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable, net profit payable to the Province of Manitoba, and other taxes payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

It is management's opinion that the MLCC is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the MLCC's financial instruments approximates their carrying value unless otherwise stated.

The adoption of these standards was done retroactively without restatement of the financial statements for prior years.

4. INVENTORY

Inventory consists of the following:

	2008	2007
	$	$
Warehouse inventory	**23,377**	17,919
Stores inventory	**10,675**	9,034
	34,052	26,953

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,858 at March 31, 2008 [2007 – $3,385].

5. OTHER INCOME

Other income consists of the following:

	2008 $	2007 $
Supplementary licence fees	**816**	788
Advertising revenue – other	**780**	733
AIR MILES® revenue	**766**	663
Miscellaneous	**717**	569
Annual licence fees and licence application fees	**590**	599
Occasional permit additional fees	**581**	581
Administration charges	**305**	222
Occasional permit fees	**237**	240
Border point fees	**159**	221
Specialty wine store fees	**27**	23
	4,978	4,639

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2008 $	2007 $
Salaries, benefits and pension costs *[note 8]*	**35,253**	33,824
Leased premises – rentals *[note 10]*	**5,854**	5,415
Maintenance and repairs	**2,558**	2,106
Delivery charges	**1,651**	1,504
Bank charges	**1,502**	1,366
Community support	**1,450**	480
Utilities	**1,355**	1,291
AIR MILES® program	**1,096**	991
Equipment rentals *[note 10]*	**1,076**	1,113
Professional fees	**879**	608
Printing, postage and supplies	**789**	789
Alcohol education	**720**	563
Protective services	**607**	500
Health and Post Secondary Education Tax Levy	**606**	551
Grants in lieu of taxes	**581**	603
Miscellaneous	**500**	507
Staff training	**461**	457
Advertising and promotions	**432**	463
Travel	**339**	325
Communications	**239**	122
Vehicle expenses	**212**	205
Product analysis	**90**	77
Crown Corporations Council Levy	**78**	84
	58,328	53,934

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2008		
	Cost **$**	**Accumulated depreciation** **$**	**Net book value** **$**
Land	**123**	**–**	**123**
Buildings	**14,819**	**3,777**	**11,042**
Leasehold improvements	**9,187**	**4,018**	**5,169**
Systems development	**10,931**	**8,026**	**2,905**
Equipment and furnishings	**8,214**	**4,778**	**3,436**
Automobiles	**617**	**368**	**249**
Paving	**326**	**133**	**193**
	44,217	**21,100**	**23,117**

	2007		
	Cost $	Accumulated depreciation $	Net book value $
Leasehold improvements	12,203	3,720	8,483
Systems development	9,706	7,043	2,663
Equipment and furnishings	7,108	4,128	2,980
Automobiles	635	338	297
Paving	338	118	220
	29,990	15,347	14,643

Land and buildings for the head office and nine other buildings previously leased from the Government of Manitoba were transferred to the MLCC on April 1, 2007 at net book value of $302. Improvements to these buildings previously classified as leasehold improvements have been transferred to buildings and accumulated depreciation buildings on April 1, 2007 at net book value of $10,904.

8. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2004. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2008 using a formula provided by the actuary.

	2008	2007
	$	$
Accrued benefit liability, beginning of year	**48,844**	47,025
Benefits accrued	**1,506**	1,434
Interest accrued on benefits	**3,416**	3,289
Benefits paid	**(2,423)**	(2,765)
Manitoba Finance matching pension contributions	**(219)**	(139)
Accrued benefit liability, end of year	**51,124**	48,844
Pension expense	**4,922**	4,723
Employee contributions	**1,393**	1,326
Employer contributions	**2,642**	2,904

The pension expense consists of benefits accrued of $1,506 [2007 – $1,434] and interest accrued on benefits of $3,416 [2007 - $3,289].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	As at March 31	
	2008	2007
	%	%
Expected long-term rate of return	**6.50**	6.50
Inflation	**2.50**	2.50
Rate of future compensation increases	**4.25**	4.25

In addition, post retirement indexing is at two-thirds of the inflation rate.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*. The funds are to be used to fund the employee pension.

9. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances of $3,165, as at April 1, 1998, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*. The funds are to be used to fund the employee retirement allowances.

10. FUTURE COMMITMENTS

[a] The MLCC leases 42 buildings. Leases have expiry dates ranging from 2009 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	$
2009	4,217
2010	3,972
2011	3,411
2012	3,054
2013	2,900
Thereafter	15,666
	33,220

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2009 to 2013.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	$
2009	943
2010	527
2011	318
2012	51
2013	51
	1,890

[c] The MLCC entered into a contract for software and implementation services associated with the installation of a new point-of-sale system. The balance of the contractual obligation to be paid in 2009 is $806.

11. FUTURE ACCOUNTING PRONOUNCEMENTS

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. The MLCC does not expect this section to have an impact on the financial statements.

Section 3031, "Inventories", replaces the existing Section 3030, "Inventories", and is required to be implemented for fiscal years beginning on or after January 1, 2008. The MLCC does not expect Section 3031 to have an impact on the financial statements.

Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation", replaces the existing Section 3861, "Financial Instruments – Disclosure and Presentation" and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policies adopted in accordance with Section 3855. These new standards are related to disclosure only and will not impact the financial results of the MLCC.

12. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's financial statements.

Management Report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for establishing and maintaining the system of controls and procedures and internal controls over financial reporting for the Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management maintains internal controls to provide reasonable assurance that information required to be disclosed in financial statements and other reports is recorded, processed, summarized and reported within the time periods specified in applicable legislation or regulation. Internal controls include a system of internal audit that is designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that assets are safeguarded and that financial records are reliable.

The responsibility of Grant Thornton LLP, the appointed auditor, is to express an independent opinion on the consolidated financial statements as fully stated in their report to the shareholder, which appears on the following page. The Auditor's Report outlines the scope of their examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Grant Thornton LLP to satisfy itself that each group has properly discharged its responsibility to prepare financial statements and reviews the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2008.

(originally signed by)
Winston Hodgins
President & CEO

(originally signed by)
Cheryl Eason
Executive Vice-President & CFO

Auditor's Report

To the Board of Directors
Manitoba Lotteries Corporation

We have audited the consolidated balance sheet of **Manitoba Lotteries Corporation** as at March 31, 2008 and the consolidated statements of net income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Manitoba Lotteries Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada

May 16, 2008

	2008
Current Assets	
	$ 27,777
	17,035
	2,451
	2,758
	50,021
Property and Equipment	173,266
Other Assets	5,286
	$ 228,573

Current Liabilities	
	$ 40,564
	1,782
	12,846
	55,192
Long-Term Debt	168,002
Provision for Employee Pension Benefits	379
Total Liabilities	223,573
Retained Earnings	5,000
	$ 228,573

Originally signed by
Tim Valgardson
Director & Chair of the Board

Originally signed by
Gerald Rosenby
Director & Chair of the Audit Committee

	2008
Revenue	
	$ 749,882
	260,329
	489,553
Expenses	
	122,207
	37,152
	11,778
	5,520
	176,657
Income before Allocations and Payments	312,896
Allocations and Payments	
	2,948
	2,327
	2,209
	2,894
	5,736
	16,114
Net Income and Comprehensive Income	296,782
Retained Earnings, beginning of the year	5,000
	(296,782)
Retained Earnings, end of the year	$ 5,000

	Notes	2008	2007
Operating activities			
		$ 296,782	$ 282,720
		36,906	25,990
		1,827	1,364
		246	246
			55
		55	46
		335,816	311,421
		12,651	(6,681)
Cash provided by operating activities		348,467	304,740
Investing activities			
		(28,061)	(32,779)
		-	1,000
		-	1,000
Cash provided by (used in) investing activities		(28,061)	(30,779)
Financing activities			
		(295,000)	(275,000)
		(10,720)	(8,260)
		(17,003)	(31,581)
Cash used in financing activities		(322,723)	(314,841)
Net decrease in cash during the year		(2,317)	(842)
Cash, beginning of year		30,094	30,936
Cash, end of year		$ 27,777	$ 30,094
Supplemental cash flow information			
Interest paid		$ 12,079	$ 13,550

(See accompanying notes to the consolidated financial statements)

and other gaming revenue is recorded net of prizes paid. Administration fees related to First Nations are taken into income as earned.

(d) *Property, equipment and amortization*

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition on assets under $1 million. For assets over $1 million, amortization is taken at date of implementation.

During the year, the useful life for video lottery terminal (VLT) equipment was changed from a 7-year life to a 5-year life to be consistent with the planned VLT equipment replacement strategy. This change was adopted prospectively for the fiscal year ended March 31, 2008. The impact of this change for the current year was an $8,622 decrease in net income.

The net increases (decreases) in net income in future years as a result of this change are as follows:

2009	$ (8,604)
2010	1,827
2011	8,555
2012	6,580
2013	344
Subsequent years	320
	$ 8,622

(e) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenues, the Corporation foregoes claiming input tax credits and pays an additional 1% GST on gaming expenditures. Such input tax credits are claimed by the Province of Manitoba. This additional 1% is reported as GST expense.

Input tax credits claimed by the Province of Manitoba on gaming expenditures:

(f) Inventories

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(g) Pension plans

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability.

For employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund, a pension liability is established. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. Actuarial gains and losses are recognized in income immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates.

(h) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. Gains and losses on translation are recognized in income for the period they occurred.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(j) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing these promotional allowances have been included in operating expenses.

(k) Loyalty points program

During the year, the Corporation commenced a program whereby patrons can earn points based upon their level of play on certain casino games. Points can

be redeemed for certain goods and services provided by the casinos. The retail value of these complimentary items is included in gross revenues and then deducted as a promotional allowance to arrive at net revenues.

The future redemption liability is included in accounts payable and accruals and is based on an assessment of anticipated point redemptions and point value. The Corporation will adjust the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the results of operations.

(l) Changes in accounting policies

Section 1530 Comprehensive Income, requires that the statement of equity and disclosure of comprehensive income, comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. The Corporation has no items related to other comprehensive income under Section 1530, therefore, comprehensive income for the year is equivalent to net income.

Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Disclosure and Presentation set out the standards for the recognition and measurement of financial assets and financial liabilities. Under these standards, all financial instruments are classified into one of the following five categories: held for trading, held to maturity investments, available for sale financial assets, loans and receivables and other financial liabilities. All financial instruments are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset or liability is removed from the consolidated balance sheet.

- Cash is classified as held for trading and measured at fair value.
- Accounts receivable are classified as loans and receivables and recorded at cost, which is equal to their initial measurement as equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accruals, payable to the Province of Manitoba and long term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these standards is done retroactively without restatement of the consolidated financial statements of prior periods. The adoption of these new standards did not have an impact on opening retained earnings or on the measurement of the Corporation's assets and liabilities as at April 1, 2007.

(m) Recent accounting pronouncements

Section 1535 Capital disclosures establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. The Corporation does not expect this section to have an impact on the financial statements.

Section 3031 Inventories replaces the existing section 3030 Inventories, and is required to be implemented for fiscal years beginning on or after January 1, 2008. The Corporation does not expect this section to have an impact on the financial statements.

Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation replace the existing Section 3861 Financial Instruments – Disclosure and Presentation and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement. These new standards relate to disclosure only and will not impact the financial results of the Corporation.

	2008
	$ 6,444
	8,277
	1,422
	576
	212
	104
	$ 17,035

	2008	2007
Replacement parts	$ 1,573	$ 1,414
Bingo paper	415	508
Breakopen tickets	270	214
Restaurant	123	107
Store merchandise	70	94
	$ 2,451	$ 2,337

	2008	2007
Manitoba Gaming Control Commission fees	$ 1,152	$ 1,617
Maintenance contracts	844	1,119
Insurance	429	428
Entertainer & sponsorship deposits	122	338
Rent	77	86
Other	134	82
	$ 2,758	$ 3,670

	2008		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	93,392	70,625	22,767
Computer software	136,136	92,554	43,582
Casino equipment	5,972	5,972	-
Buildings and leasehold improvements	153,486	61,892	91,594
Leasehold improvements	5,643	5,268	375
Computer hardware	688	250	438
Assets under construction	15,173	6,461	8,712
	$ 416,288	$ 243,022	$ 173,266

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	93,392	70,625	22,767
Computer software	136,136	92,554	43,582
Casino equipment	5,972	5,972	-
Buildings and leasehold improvements	153,486	61,892	91,594
Leasehold improvements	5,643	5,268	375
Computer hardware	688	250	438
Assets under construction	15,173	6,461	8,712
	$ 416,288	$ 243,022	$ 173,266

The Corporation has entered into an agreement for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Street Station Casino. The facilities became available for use during the 2004 fiscal year, at which time the Corporation began amortizing the asset over the life of the adjacent Casino. The asset is presented net of accumulated amortization of $1,095 (2007 - $849) [see note 2 (d)].

	2008	2007
Trade	$ 31,795	$ 21,935
Vacation	6,481	5,391
Interest	881	939
Jackpot provision	911	680
Province of Manitoba taxes	496	625
	$ 40,564	$ 29,570

	2008	2007
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	**$ 135,000**	$ 135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal installments of $1,500 plus interest until October 17, 2007.	-	4,150
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of $1,071 plus interest until June 30, 2011.	**13,929**	16,714
Province of Manitoba, bearing interest at 4.62%, repayable in quarterly principal installments of $750 plus interest until September 30, 2018.	15,000	16,500
Province of Manitoba, bearing interest at 4.65%, repayable in quarterly principal installments of $577 plus interest until December 31, 2017.	11,536	-
Province of Manitoba, bearing interest at 4.65%, repayable in monthly principal installments of $43 plus interest until August 31, 2009.	514	1,026
Province of Manitoba, bearing interest at 4.650%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	**4,467**	5,478
Capital lease obligation to the Province of Manitoba, with a 7.63% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	**402**	435
	$ 180,848	$ 197,851
Less current portion of long term debt and capital lease obligation	**12,846**	17,003
	$ 168,002	$ 180,848

Annual payments in future years are as follows:

	Loans	Capital Lease Principal	Capital Lease Interest
2009	$ 12,811	$ 35	$ 29
2010	12,397	37	27
2011	47,267	40	24
2012	2,342	41	22
2013	116	43	19
Subsequent years		251	134
	$ 74,933	$ 447	$ 255

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2008 (IN THOUSANDS)

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

Revenue				
Revenue	$ 345,908	$ 194,388	$ 209,586	$ 749,882
Cost of sales	107,357	12,455	140,517	260,329
	238,551	181,933	69,069	489,553
Expenses				
Operating expenses	10,299	106,744	5,164	122,207
Amortization	23,741	13,411	-	37,152
Interest expense - long-term	4,306	7,231	241	11,778
Goods and services tax	4,864	584	72	5,520
	43,210	127,970	5,477	176,657
Income before Allocations and Payments	195,341	53,963	63,592	312,896
Allocations and Payments	4,749	5,813	5,552	16,114
Net Income and Comprehensive Income	$ 190,592	$ 48,150	$ 58,040	$ 296,782

Revenue				
Revenue	$ 324,675	$ 172,116	$ 202,690	$ 699,549
Cost of sales	97,662	10,588	132,974	241,224
	227,013	161,528	69,716	458,325
Expenses				
Operating expenses	9,840	98,684	4,501	113,225
Amortization	12,767	16,469	-	29,236
Interest expense - long-term	4,816	7,956	241	13,013
Goods and services tax	4,062	452	108	4,622
	31,485	123,761	4,850	160,096
Income before Allocations and Payments	195,528	37,767	64,866	298,161
Allocations and Payments	4,265	5,800	5,376	15,441
Net Income and Comprehensive Income	$ 191,263	$ 31,967	$ 59,490	$ 282,720

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member of the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2008 fiscal year is $2,948 (2007 - $2,816).

(b) Payment to Government of Canada

(c) Gaming Commissions Fees & Crown Levy

(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2008 fiscal year is $2,894 (2007 - $2,781).

(e) Charitable and Community Organizations

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba. Payments made to these organizations for the 2008 fiscal year amount to $5,736 (2007 - $5,186).

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation received approval from MLC's Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations casinos and to provide those services only upon request on a fee for service basis. The suspended recoveries for the year ended March 31, 2008 were $1,457 (2007 - $1,457).

(a) Lease Obligations

	265
Subsequent years	1,457
	$ 4,506

(b) Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

(c) The Corporation entered into a VLT revenue sharing agreement with the Manitoba Jockey Club Inc., in the amount of $14,750 that covered the period of January 1, 2004 to December 31, 2006. This agreement was amended in April 2005 to extend MLC's commitment by another two years to December 31,

2008, Manitoba Jockey Club Inc. will receive $5,000 annually plus an additional 20% commission on net VLT revenues over $5,000.

(d) During the year the Corporation maintains its commitment to spend 2% of its net income over five years for responsible gaming research and programming. It is anticipated that the continuation of expenditures will occur in the 2009 fiscal year.

(e) The Corporation has committed to replacing the aging Video Keno content system at the Casino of Assiniboia. The estimated cost of this replacement is $19,500.

Interest rate risk

Interest rate risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. The risk associated with interest rate fluctuations are mitigated through the use of fixed rate long-term debt.

Credit risk

Currency risk

Fair value

Unless otherwise stated, the fair value of the Corporation's financial instruments approximate their carrying values.

	2008	
Net decrease (increase) in current assets		
Accounts receivable	$ 1,069	$
Inventories	(324)	
Prepaid expenses	912	
	1,657	
Net increase (decrease) in current liabilities		
Accounts payable and accruals	10,994	
Net change in non-cash working capital items	$ 12,651	$

17. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.

Consolidated Schedule of Net Income & Comprehensive Income

	2008	2007
Revenue		
	$ 749,882	$ 698,545
	260,329	241,268
	489,553	457,277
Expenses		
	80,274	77,847
	13,837	13,161
	8,428	8,000
	4,042	3,842
	2,476	2,353
	4,392	4,174
	2,149	2,042
	1,586	1,507
	1,572	1,494
	1,257	1,194
	2,194	2,085
	122,207	117,699
	37,152	35,304
	11,778	11,189
	5,520	5,244
	176,657	169,436
Income before Allocations and Payments	312,896	287,841
Allocations and Payments	16,114	15,441
Net Income and Comprehensive Income	$ 296,782	$ 272,400

(see accompanying notes to the consolidated financial statements)

AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation

We have audited the balance sheet of **Manitoba Product Stewardship Corporation** as at March 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 29, 2008.

Chartered Accountants

Manitoba Product Stewardship Corporation
Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31

	2008	2007
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	2,022,758	2,820,897
Interest receivable	10,960	13,080
Levies receivable	849,897	844,986
Prepaid expenses and deposits	12,468	12,379
Total current assets	2,896,083	3,691,342
Cash and cash equivalents [restricted] *[note 2[d]]*	300,000	
Capital assets, net *[note 5]*	17,694	22,485
	3,213,777	3,713,827
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	118,528	72,070
Recycling support payments payable	1,554,466	1,489,156
Total current liabilities	1,672,994	1,561,226
Net assets		
Invested in capital assets	17,694	22,485
Internally restricted	300,000	—
Unrestricted	1,223,089	2,130,116
	1,540,783	2,152,601
	3,213,777	3,713,827

See accompanying notes

On behalf of the Board:

Director Director

Manitoba Product Stewardship Corporation

STATEMENT OF OPERATIONS

Year ended March 31

	2008 $	2007 $
REVENUE		
Beverage levy	**8,895,689**	8,749,251
Levy rebates	**(257,848)**	(283,522)
Interest	**116,982**	131,519
	8,754,823	8,597,248
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	**8,737,354**	7,842,306
Municipal support	**74,915**	38,637
	8,812,269	7,880,943
Steward		
Compliance of WRAP Act	**39,159**	61,259
Corporation promotion partnerships		
Advertising and promotion	**7,023**	3,568
Partnerships sponsorships	**5,000**	5,000
	12,023	8,568
	8,863,451	7,950,770
Administrative expenses *[schedule]*	**503,190**	592,669
	9,366,641	8,543,439
Net income (loss) for the year	**(611,818)**	53,809

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2008			
	Invested in capital assets	Internally restricted	Unrestricted	Total
	$	$	$	$
Balance, beginning of year	**22,485**	**—**	**2,130,116**	**2,152,601**
Net loss for the year	**(6,857)**	**—**	**(604,961)**	**(611,818)**
Purchase of capital assets	**2,066**	**—**	**(2,066)**	**—**
Allocation of amounts to cover write-down *[note 2[a]]*	**—**	**300,000**	**(300,000)**	**—**
Balance, end of year	**17,694**	**300,000**	**1,223,089**	**1,540,783**

	2007			
	Invested in capital assets	Internally restricted	Unrestricted	Total
	$	$	$	$
Balance, beginning of year	16,874		2,081,918	2,098,792
Net income (loss) for the year	(6,931)		60,740	53,809
Purchase of capital assets	12,542	—	(12,542)	—
Balance, end of year	22,485	—	2,130,116	2,152,601

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CASH FLOWS

Year ended March 31

	2008 $	2007 $
OPERATING ACTIVITIES		
Net income (loss) for the year	**(611,818)**	53,809
Add item not involving cash		
Amortization	**6,857**	6,931
	(604,961)	60,740
Changes in non-cash working capital balances related to operations		
Interest receivable	**2,120**	(2,499)
Grant receivable	**—**	58,331
Levies receivable	**(4,911)**	(99,658)
Prepaid expenses and deposits	**(89)**	470
Accounts payable and accrued liabilities	**46,458**	(11,990)
Recycling support payments payable	**65,310**	(89,996)
Cash used in operating activities	(496,073)	(84,602)
INVESTING ACTIVITIES		
Purchase of capital assets	**(2,066)**	(12,542)
Cash used in investing activities	**(2,066)**	(12,542)
Net decrease in cash and cash equivalents during the year	**(498,139)**	(97,144)
Cash and cash equivalents, beginning of year	**2,820,897**	2,918,041
Cash and cash equivalents, end of year	**2,322,758**	2,820,897
Cash and cash equivalents consists of		
Unrestricted	**2,022,758**	2,820,897
Restricted	**300,000**	—
	2,322,758	2,820,897

See accompanying notes

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2008 $	2007 $
Amortization	**6,857**	6,931
Board members' expenses	**3,269**	1,209
Communication	**9,053**	11,283
Contract financial management	**55,462**	53,927
Equipment, leasing, repairs and maintenance	**4,448**	7,239
Insurance	**15,894**	15,196
Office	**20,247**	32,902
Professional fees	**18,673**	20,040
Promotion	**1,196**	2,606
Rent	**49,907**	50,274
Salaries, wages and benefits	**310,732**	383,527
Subscriptions	**6,597**	6,365
Travel and automotive	**855**	1,170
	503,190	592,669

See accompanying notes

Manitoba Product Stewardship Corporation

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

1. NATURE OF ORGANIZATION

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;
[b] To provide for the effective, efficient and economical management of waste designated materials; and
[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by the collection of levies on beverage containers supplied by a steward of beverage containers to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Going concern considerations

A Special Operating Agency has been established by the Government of the Province of Manitoba, called Green Manitoba. The Province of Manitoba and its Special Operating Agency, Green Manitoba, have announced their intention of transitioning the government's approach to multi-material handling to an Industry Funding Organization ["IFO"], Multi Material Stewardship Manitoba. There have been no transactions between MPSC and this entity. Three of the ten Directors of MPSC are also Directors of Multi Material Stewardship Manitoba. The wind-up of MPSC is subject to legislative approval, but it is uncertain when this will occur. The potential impact of the wind-up of the operations of MPSC is currently estimated as outlined in note 2[d] and the board and management have internally restricted net assets and designated cash to cover this amount which is recorded as restricted cash and cash equivalents. As the legislation has not yet been passed, these wind-up costs have not been accrued in these financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes MPSC will realize its assets and discharges its liabilities in the normal course of operations. The financial statements do not give effect to any adjustments to the classification and carrying values of assets and liabilities that might be necessary should MPSC be unable to continue its operations as a going concern.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

[b] Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized based on revenue as reported by the Product Stewards to MPSC, and when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards.

Recycling support payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC.

[c] Cash and cash equivalents

Cash and cash equivalents are recorded at fair value and includes cash and short-term investments with maturities at the date of purchase of up to three months.

[d] Cash and cash equivalents [restricted]

Cash and cash equivalents [restricted] consist of funds held for approximate costs expected to be incurred upon wind-up of MPSC. The timing of the wind-up is subject to legislative approval.

Cash and cash equivalents [restricted] are recorded at fair value and includes cash and short-term investments with maturities at the date of purchase of up to three months.

[e] Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for by the following annual rates and methods:

Furniture and fixtures	20% declining balance
Computer hardware	30% declining balance
Computer software	100% straight-line

[f] Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

[g] Financial risk management

It is management's opinion that MPSC is not exposed to significant interest, currency or credit risks arising from its financial instruments. Due to their short-term maturity, the fair value of MPSC's financial instruments approximates their carrying value unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, MPSC adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" and Handbook Section 1506, "Accounting Changes".

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian generally accepted accounting principles that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on MPSC's financial statements for the year ended March 31, 2008.

The principal changes in the accounting for financial instruments due to the adoption of these sections relate to the recognition, measurement, disclosure and presentation of financial assets and financial liabilities. The new standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the balance sheet classification, fair value or cost-based measures are used. Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses are recognized in net income (loss).

MPSC's financial assets and financial liabilities are measured as follows:

- Cash and cash equivalents are classified as held-for-trading and measured at fair value. The gains or losses arising on the revaluation at the end of the year are included in net income (loss);

- Interest receivable and levies receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method; and

- Accounts payable, accrued liabilities, and recycling support payments payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The adoption of these standards was done retroactively without restatement of the financial statements for prior years and had no impact on the financial statements.

4. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are term deposits, held in trust by the Department of Finance of the Province of Manitoba of $1,083,006 [2007 - $1,040,476]. The term deposits bear interest at 3.50% [2007 – 4.10%] per annum and mature on April 28, 2008.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2008		
	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	**26,405**	**22,131**	**4,274**
Computer hardware	**94,734**	**81,794**	**12,940**
Computer software	**150,447**	**149,967**	**480**
	271,586	**253,892**	**17,694**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

	2007		
	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	26,405	21,063	5,342
Computer hardware	93,628	76,485	17,143
Computer software	149,487	149,487	—
	269,520	247,035	22,485

6. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases with commitments totalling $53,873 for fiscal 2009.

7. FUTURE ACCOUNTING PRONOUNCEMENTS

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed and is effective for fiscal years beginning on or after October 1, 2007. MPSC does not expect this section to have an impact on the financial statements.

Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", replace the existing Section 3861, "Financial Instruments – Disclosure and Presentation", and are required to be implemented for fiscal years beginning on or after October 1, 2007. The new standards enhance and expand disclosure standards to complement the changes in accounting policies adopted in accordance with Sections 3855 and 3861. These new standards relate to disclosure only and will not impact the financial results of MPSC.

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility, by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.



M. J. McLaren
President and Chief Executive Officer



D. D. Palmer
Vice-President,
Finance and Chief Financial Officer

April 24, 2008

Auditors' Report

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 29, 2008 and the statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 29, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
April 24, 2008

Actuary's Report

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 29, 2008 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
April 24, 2008

FINANCIAL

Statement of Operations

Years ended February 29/28		2008		2007
		(in thousands of dollars)		
Revenue				
Premiums written	**$**	**842,053**	$	812,378
Premiums earned (Note 9)	**$**	**828,121**	$	798,811
Service fees		**20,558**		18,387
Driver licensing operations recovery (Note 17)		**21,000**		20,475
Total earned revenues		**869,679**		837,673
Claims Costs				
Claims incurred (Note 9)				
Current year		**680,859**		688,952
Prior years (Note 9)		**(62,460)**		(60,582)
		618,399		628,370
Claims expense		**84,505**		79,850
Loss prevention Road safety		**25,771**		23,469
		728,675		731,689
Expenses				
Commissions		**59,040**		55,148
Operating		**83,864**		79,849
Premium taxes		**23,466**		20,803
Regulatory Appeal		**2,738**		2,221
		169,108		158,021
Total claims and expenses		**897,783**		889,710
Underwriting income (loss)		**(28,104)**		(52,037)
Investment income (Note 11)		**125,544**		120,425
Net income (loss) from annual operations (Note 13)		**97,440**		68,388
Surplus distribution (Note 14)		**(62,565)**		(59,652)
Net income (loss) after surplus distribution	**$**	**34,875**	$	8,736

The accompanying notes are an integral part of these financial statements.

Balance Sheet

February 29/28	2008	2007
Assets	(in thousands of dollars)	
Cash and investments (Note 5)	$ 2,187,313	$ 2,015,010
Due from other insurance companies	3,877	10
Accounts receivable	256,583	247,140
Deferred policy acquisition costs	11,510	17,002
Reinsurers' share of unearned premiums	11,129	10,027
Reinsurers' share of unpaid claims (Note 8)	51,345	27,844
Property and equipment (Note 6)	32,611	29,871
Deferred development costs	16,571	10,827
	$ 2,570,939	$ 2,357,731
Liabilities		
Due to other insurance companies	$ 23,073	$ 8,993
Accounts payable and accrued liabilities	105,283	92,562
Unearned premiums	419,990	403,929
Provision for employee current benefits	14,045	13,779
Provision for employee future benefits (Note 7)	188,580	166,472
Provision for unpaid claims (Note 8 and 9)	1,512,625	1,399,748
	2,263,596	2,085,483
Retained Earnings		
Basic Insurance Retained Earnings		
Rate Stabilization Reserve	127,122	138,172
Immobilizer Incentive Fund	17,925	33,143
	145,047	161,315
Competitive Lines Retained Earnings		
Retained Earnings	103,739	110,983
Extension Development Fund	35,389	
	139,128	110,983
	284,175	272,248
Accumulated Other Comprehensive Income (Note 3)	23,168	
	$ 2,570,939	$ 2,357,731

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

Statement of Retained Earnings

Years ended February 29/28	2008	2007
Basic Insurance	(in thousands of dollars)	
Rate Stabilization Reserve		
Balance beginning of year	$ 128,122	$ 136,071
Transition adjustment (Note 4)	(22,693)	–
Net income (loss) from annual operations after surplus distribution (Notes 13 and 14)	6,475	(11,869)
Transfer from Immobilizer Incentive Fund	15,218	3,920
Balance end of year	127,122	128,122
Immobilizer Incentive Fund		
Balance beginning of year	33,143	37,063
Transfer to Rate Stabilization Reserve	(15,218)	(3,920)
Balance end of year (Note 18)	17,925	33,143
Balance Basic Insurance Retained Earnings end of year	145,047	161,265
Competitive Lines		
Retained Earnings		
Balance beginning of year	110,983	90,378
Transition adjustment (Note 4)	(255)	–
Net income (loss) from annual operations (Note 13)	28,400	20,605
Transfer to Extension Development Fund	(35,389)	–
Balance end of year	103,739	110,983
Extension Development Fund		
Balance beginning of year	–	–
Transfer from Retained Earnings	35,389	–
Balance end of year	35,389	–
Balance Competitive Lines Retained Earnings end of year	139,128	110,983
Balance Retained Earnings end of year	$ 284,175	$ 272,248

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income (Loss)

Years ended February 29/28		2008		2007
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**34,875**	$	8,736
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on available for sale assets		**(26,775)**		
Reclassification to income from available for sale assets		**(30,332)**		
Other Comprehensive Income (Loss) for the year		**(57,107)**		
Total Comprehensive Income (Loss)	**$**	**(22,232)**		

Statement of Accumulated Other Comprehensive Income

Year ended February 29		2008
		(in thousands of dollars)
Balance beginning of year	$	–
Transition adjustment		80,275
Other Comprehensive Income (Loss) for the year		(57,107)
Balance end of year	$	23,168

Statement of Cash Flows

Years ended February 29/28	2008	2007
Cash Flows from (to) Operating Activities:	(in thousands of dollars)	
Net income (loss) after surplus distribution	$ 34,875	$ 8,736
Non-cash items:		
Amortization of property and equipment and deferred development costs	6,770	5,948
Amortization of bond discount and premium	(244)	5,611
Gain on sale of investments	(39,342)	(49,839)
Write-down of investments	9,010	1,058
	11,069	(28,486)
Net change in non-cash balances:		
Due from other insurance companies	(3,867)	(3)
Accounts receivable	(9,443)	(14,238)
Deferred policy acquisition costs	5,492	11,674
Reinsurers' share of unearned premiums and unpaid claims	(24,603)	(3,767)
Due to other insurance companies	14,080	169
Accounts payable and accrued liabilities	12,720	(1,344)
Unearned premiums	16,061	18,102
Provision for employee current benefits	266	1,084
Provision for employee future benefits	22,108	14,728
Provision for unpaid claims	89,929	97,361
	122,743	123,766
	133,812	95,280
Cash Flows from (to) Investing Activities:		
Acquisition of property and equipment net of proceeds from disposals	(7,683)	(8,612)
Purchase of investments	(1,140,658)	(1,008,986)
Proceeds from sale of investments	1,095,777	891,834
Deferred development costs incurred	(7,571)	(7,750)
	(60,135)	(128,514)
Increase (Decrease) in Cash and Short-Term Investments	73,677	(33,234)
Cash and short-term investments beginning of year	57,100	90,334
Cash and Short-Term Investments end of year (Note 5)	$ 130,777	$ 57,100

The accompanying notes are an integral part of these financial statements.

NOTES TO

February 29, 2008

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, (Note 12), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business is subject to regulation by the Public Utilities Board (PUB) of Manitoba with respect to insurance rates and service fees (Note 20).

Operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services, were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. Basis of Reporting

The financial statements of the corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the corporation used in the valuation of the policy liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the corporation that have a significant effect on the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

Under the provision of CICA 3855 *Financial Instruments – Recognition and Measurement*, the financial assets of Manitoba Public Insurance's investment portfolio are designated as Available for Sale (AFS) or Held to Maturity (HTM) (see Note 4).

Corporate investments that experience a decline in fair value, which is determined to have been other than temporary, are deemed to be impaired and written down to their expected recoverable amount.

The fair value of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value.

The corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become other than temporarily (OTT) impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become OTT impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

The fair value of AFS bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations is estimated based on bid prices of these or similar investments.

Transaction costs related to AFS financial assets are capitalized on initial recognition and, where applicable, are amortized to interest income using the effective interest method.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Balance Sheet starting on the settlement date.

The fair value of HTM bonds, including schools, certain municipal and certain hospitals, is based on their carrying value, which approximates market value.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

Loans and receivables

Certain financial assets are designated as loans and receivables and continue to be carried at amortized cost.

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Computer equipment . . . . . 3 years

Vehicles . . . . . 5 years

Furniture and equipment. . . . . 10 years

Land improvements . . . . . 25 years

Buildings . . . . . 40 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems that are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act*. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period except as noted in Note 4 (iii).

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations.

Basic Insurance Rate Stabilization Reserve

The Basic Insurance Rate Stabilization Reserve relates to basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Immobilizer Incentive Fund

The Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund is used to provide financial assistance for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

Extension Development Fund

The Extension Development Fund is an appropriation from the Competitive Lines Retained Earnings. The fund is used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

Comprehensive Income

Comprehensive income consists of net income after surplus distribution and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as available for sale, and changes in unrealized foreign exchange currency translation amounts are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income is included on the Balance Sheet as a separate component.

Future Changes in Accounting Policy and Disclosure

In December 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862, *Financial Instruments – Disclosures* and Handbook Section 3863, *Financial Instruments – Presentation*. The following summarizes the future accounting changes that will be relevant to the corporation's financial statements commencing March 1, 2008:

Handbook Section 1535 requires the following disclosures: (i) qualitative information about an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, but not changing the existing presentation requirements for financial instruments. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Handbook Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about the risk management function and the reporting and measurement systems used; (iii) the entity's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Handbook Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Changes in Accounting Policies

Accounting for Financial Instruments

Effective March 1, 2007 the corporation adopted the recommendations of the CICA Handbook Section 1530 *Comprehensive Income* ("Section 1530"), Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3861, *Financial Instruments – Disclosure and Presentation*, and Section 3251, *Equity*. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of Comprehensive Income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other Comprehensive Income refers to items recognized in Comprehensive Income that are excluded from Net Income calculated in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

These changes were applied on March 1, 2007, without prior period restatement, in accordance with the new standards and include the following transition adjustments:

i) Classification of the corporation's financial assets and liabilities into one of these four categories:

- available for sale (AFS) financial assets
- held to maturity (HTM) financial assets
- loans and receivables
- other liabilities

ii) The effect of this classification increased the carrying value of AFS financial assets by $80,275,000 from $1,532,739,000 to $1,613,014,000 at March 1, 2007 to reflect their fair value and established $80,275,000 as Accumulated Other Comprehensive Income. Accumulated Other Comprehensive Income is adjusted each period by unrealized gains (losses) on AFS financial assets and by the reclassification of realized gains (losses) on AFS assets to net income.

No changes resulted from the classification of the HTM financial assets or loans and receivables that are still being carried at amortized cost.

iii) As a consequential effect of applying these new standards, the claims liabilities were recalculated using a market rate at March 1, 2007 resulting in an increase to the claims liabilities of $22,948,000. Changes resulting from the recalculation have been recorded as transition adjustments in opening Basic Rate Stabilization Reserve and opening Competitive Lines retained earnings.

The transition adjustments recorded at March 1, 2007 are summarized in the following table.

(in thousands of dollars)	February 28, 2007	Transition Adjustments	March 1, 2007
Assets			
AFS Financial Assets:			
Canadian Equities	$ 336,748	$ 40,258	$ 377,006
U.S. Equities	96,736	7,755	104,491
Bonds	1,099,255	32,262	1,131,517
		$ 80,275	
Liabilities			
Provision for Unpaid Claims	$ 1,399,748	$ 22,948	$ 1,422,696
Retained Earnings			
Basic Rate Stabilization Reserve	128,122	(22,693)	105,429
Extension Retained Earnings	46,373	(58)	46,315
SRE Retained Earnings	64,618	(197)	64,421
		(22,948)	
Accumulated Other Comprehensive Income		80,275	80,275
		$ 80,275	

Other Changes in Accounting Policies

Effective March 1, 2007, the corporation applied the revised provisions of the CICA Handbook Section 1506, *Accounting Changes*. Accordingly, voluntary changes in accounting policies are made only if they result in reliable and more relevant information. No voluntary changes were made in 2007.

5. Cash and Investments

(in thousands of dollars)	2008				2007	
	Classified as Available for Sale	Classified as Held to Maturity	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Cash and short-term investments	$ 130,777	$ –	$ 130,777	$ 130,777	$ 57,100	$ 57,100
Bonds						
Federal	423,863	–	423,863	423,863	316,144	323,899
Manitoba:						
Provincial	312,078	–	312,078	312,078	267,507	275,412
Municipal	65,097	28,640	93,737	93,737	96,858	98,174
Hospitals	13,056	13,998	27,054	27,054	27,130	27,108
Schools	–	387,122	387,122	387,122	358,637	358,637
Other provinces	299,812	–	299,812	299,812	332,991	346,595
Corporations	88,690	–	88,690	88,690	97,068	98,161
Equity-linked note	–	–	–	–	20,000	20,000
	1,202,596	429,760	1,632,356	1,632,356	1,516,335	1,547,986
Other	7,110	–	7,110	7,110	8,091	8,710
Equity investments	417,070	–	417,070	417,070	433,484	481,497
	424,180	–	424,180	424,180	441,575	490,207
	$ 1,757,553	$ 429,760	$ 2,187,313	$ 2,187,313	$ 2,015,010	$ 2,096,293

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets at least quarterly to discuss strategy and review performance and, if required, take remedial action. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $976,000 (2007 – $1,168,000).

Short-term investments have a total principal amount of $125,302,000 (2007 – $54,910,000) comprised of provincial short-term deposits with an effective interest rate of 3.30 to 4.80 per cent (2007 – 4.05 per cent), with interest receivable at varying dates.

The corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million. There were no drawdowns against this line of credit at February 29, 2008.

ii) Bonds – interest rate risk

		2008		2007	
	Interest Receivable Basis	Effective Rate	Coupon Rate	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	1.88 to 4.94	3.70 to 5.75	1.78 to 4.71	3.50 to 5.75
Provincial	semi-annual	1.03 to 5.76	1.75 to 8.50	1.95 to 5.76	1.75 to 8.50
Municipal	semi-annual	3.43 to 12.15	4.20 to 12.63	4.15 to 12.17	4.20 to 12.63
Hospitals	semi-annual	4.26 to 10.91	8.69 to 11.13	4.76 to 11.07	8.69 to 11.13
Schools	semi-annual	4.81 to 11.77	4.88 to 12.25	4.81 to 11.81	4.88 to 12.25
Corporations	semi-annual	3.52 to 5.79	3.49 to 11.00	3.95 to 5.20	3.49 to 11.00

iii) Bonds – maturity profile

(in thousands of dollars)	2008			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 96,376	$ 72,076	$ 255,411	$ 423,863
Manitoba:				
Provincial	22,944	77,256	211,878	312,078
Municipal	3,860	29,395	60,482	93,737
Hospitals	13,998	–	13,056	27,054
Schools	3,255	43,095	340,772	387,122
Other provinces	26,510	72,314	200,988	299,812
Corporations	9,109	25,221	54,360	88,690
	176,052	319,357	1,136,947	1,632,356
Equity-linked note	–	–	–	–
	$ 176,052	$ 319,357	$ 1,136,947	$ 1,632,356

(in thousands of dollars)	2007			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 16,415	$ 54,481	$ 245,248	$ 316,144
Manitoba:				
Provincial	9,094	71,283	187,130	267,507
Municipal	312	15,010	81,536	96,858
Hospitals		14,192	12,938	27,130
Schools	1,057	45,168	312,412	358,637
Other provinces	4,999	75,729	252,263	332,991
Corporations		46,412	50,656	97,068
	31,877	322,275	1,142,183	1,496,335
Equity-linked note	20,000			20,000
	$ 51,877	$ 322,275	$ 1,142,183	$ 1,516,335

Currency Risk

i) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the U.S. $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

ii) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts, which provide that the corporation sells a specified amount of U.S. dollars at a predetermined forward exchange rate and purchases the same amount of U.S. dollars at the prevailing spot rate on the settlement date. At February 29, 2008, the corporation has contracted to sell U.S. $80,800,000 at a forward rate of 0.976 and purchase the same amount of U.S. dollars at the spot rate on March 31, 2008, which resulted in a loss of $4,357,000.

6. Property and Equipment

(in thousands of dollars)	2008			2007
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 3,115	$ –	$ 3,115	$ 2,757
Land improvements	5,468	2,167	3,301	2,644
Buildings	28,565	12,631	15,934	16,216
Computer equipment	38,275	33,123	5,152	3,177
Vehicles	5,430	3,668	1,762	1,666
Furniture and equipment	14,819	11,630	3,189	3,237
	95,672	63,219	32,453	29,697
Leasehold improvements	1,760	1,602	158	174
	$ 97,432	$ 64,821	$ 32,611	$ 29,871

7. Provision for Employee Future Benefits

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2007, with the next scheduled actuarial valuation being December 31, 2008.

The actuarial valuation is based on the corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. Results from the most recent actuarial valuations, projected to February 29/28 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Economic assumptions:				
Discount rate	**5.40%**	5.65%	**5.40%**	5.65%
Inflation rate	**2.00%**	2.25%	–	–
Expected salary increase	**2.75%**	2.75%	–	–
Expected health care cost increase	–	–	**7.00%**	7.00%

(In thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Balance, beginning of year	**$ 136,620**	$ 124,368	**$ 29,852**	$ 27,376
Current service cost	**6,630**	6,320	**3,251**	3,072
Interest cost	**8,039**	7,198	**583**	448
Benefits paid	**(4,282)**	(3,496)	**(2,109)**	(1,626)
Actuarial valuation deficiency	**8,718**	2,230	**1,278**	582
Provision for employee future benefits	**$ 155,725**	$ 136,620	**$ 32,855**	$ 29,852
Employee contribution for the year	**$ 5,343**	$ 5,108	**$ –**	$ –

Plan Assets

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

(In thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2008	2007	**2008**	2007
Plan expenses for the year				
Current service cost	**$ 6,630**	$ 6,320	**$ 3,251**	$ 3,072
Interest cost [illegible]	**8,039**	7,198	**583**	448
Actuarial valuation deficiency				
Pertaining to interest [illegible]	**5,492**	1,404	**–**	
Pertaining to expense	**3,226**	826	**1,278**	582
	$ 23,387	$ 15,748	**$ 5,112**	$ 4,102

8. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

(in thousands of dollars)	2008		2007	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	$ 1,341,723	$ 29,975	$ 1,258,744	$ 27,812
Physical Damage	166,112	21,370	135,664	32
	1,507,835	51,345	1,394,408	27,844
Discontinued Operations				
Personal Commercial	4,790	–	5,340	
	$ 1,512,625	$ 51,345	$ 1,399,748	$ 27,844

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2008	2007
Benefits	Interest Rate Assumptions	
Pre-PIPP Weekly Indemnity	2.6% per year	3.0% per year
PIPP other than death and impairment	2.6% per year	3.0% per year
All other coverages	4.6% per year	5.0% per year

PIPP = Income Replacement Benefit Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $271.3 million (2007 – $238.2 million) comprised of a claims development component of $158.2 million (2007 – $151.1 million), an interest rate component of $111.3 million (2007 – $87.1 million) and a reinsurance component of $1.8 million (2007 – $ nil).

Net claims incurred and adjustment expenses included losses from catastrophes of $10.0 million (2007 – $ nil). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claims liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 29, 2008 for prior years, are as follows:

(In thousands of dollars)	Accident Years				
	2007	2006	2005	2004 and Prior	Total
Net unpaid claims (valuation estimate as at February 28, 2007)	$ 324,500	$ 165,087	$ 126,156	$ 756,159	
Net payments for the year	129,725	22,980	8,254	28,077	
	194,775	142,107	117,902	728,082	
Net unpaid claims (revised valuation estimate as at February 29, 2008)	196,148	146,189	113,298	664,771	
(Redundancy) Deficiency	$ 1,373	$ 4,082	$ (4,604)	$ (63,311)	$ (62,460)
Prior years (redundancy) deficiency		$ (23,408)	$ 4,089	$ (41,263)	$ (60,582)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2008 are a decrease of $0.4 million (2007 – decrease of $0.1 million). All of the net unpaid claims relate to loss dates prior to October 1, 1996.

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As at the balance sheet date, the present value of expected payments totals $142.2 million (2007 – $134.8 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

9. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2008, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2007 - $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $11.7 million (2007 - $10.0 million). These arrangements protect the corporation against losses up to $266.7 million (2007 - $183.3 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $11.9 million (2007 - $0.4 million).

The figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

(in thousands of dollars)	2008	2007
Premiums earned	$ 16,641	$ 12,291
Claims incurred	$ 45,330	$ 4,754

10. Operating Lease Commitments

The corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

(in thousands of dollars)	
Fiscal Year	Minimum Lease Payments
2009	$ 3,281
2010	$ 3,078
2011	$ 3,311
2012	$ 3,489
2013	$ 3,474
thereafter	$ 11,756

11. Investment Income

(in thousands of dollars)	2008	2007
Total investment income	$ 139,075	$ 129,027
Less allocation to provision for pension benefit plan (Note 7)	13,531	8,602
Investment income	$ 125,544	$ 120,425

Included in total investment income are foreign exchange gains of $6.2 million (2007 – loss of $6.8 million). Investment income is net of management fees paid to the Department of Finance in the amount of $3.3 million (2007 – $3.1 million). This includes $2.2 million (2007 – $1.9 million) of fees the Province paid to outside managers on Manitoba Public Insurance's behalf.

12. Discontinued General Insurance Operations

The corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third-party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in net income of $0.8 million (2007 – $0.5 million) which is reported as part of the Special Risk Extension line of business (Note 13). Included in the provision for unpaid claims is $4.8 million (2007 – $5.3 million) relating to discontinued operations.

13. Net Income From Annual Operations

The lines of business reported net income from annual operations as follows:

(in thousands of dollars)	2008	2007
Basic insurance	$ 69,040	$ 47,783
Extension insurance	12,351	3,235
Special Risk Extension	16,049	17,370
	28,400	20,605
Net income from annual operations	$ 97,440	$ 68,388

14. Surplus Distribution

On November 26, 2007 the Public Utilities Board of Manitoba released its ruling on the corporation's 2008/2009 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2006/2007 rates. The surplus distribution, estimated to be $62.7 million, is recognized in 2007/2008 and will be paid to policyholders during the 2008/2009 fiscal year.

Last year's estimated surplus distribution of $60.0 million was actualized in the current fiscal year to $59.9 million, which was distributed to Basic policyholders.

15. Fair Value Disclosure

The fair value of financial assets and liabilities, other than those designated as Available for Sale, approximates their carrying value due to their short-term nature.

16. External Auditor and External Actuary Costs

The Basis of Reporting note (Note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

(in thousands of dollars)	2008	2007
KPMG LLP		
Audit fees	$ 171	$ 190
Advisory fees	2	2
Total	$ 173	$ 192
Ernst & Young LLP		
Valuation of policy liabilities fees	$ 107	$ 118
Actuarial advisory fees	89	78
Management advisory fees	6	35
Total	$ 202	$ 231

17. Driver Licensing Operations Recovery

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation, which includes all aspects pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation in the amount of $21.0 million annually, into perpetuity, payable in equal monthly instalments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The prior year's $21.0 million funding was reduced by $0.5 million on a one-time basis to defray the costs to the Province of Manitoba of aligning the renewal of driver licences with motor vehicle registrations.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of dollars)	2008	2007
Vehicle registration fees	$ 102,702	$ 99,705
Driver licensing fees	21,880	16,992
Total	$ 124,582	$ 116,697

18. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)	2008	2007
Balance beginning of year	$ 33,143	$ 37,063
Transfer from Basic Insurance Rate Stabilization Reserve	–	10,000
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs	(15,218)	(13,920)
Balance end of year	$ 17,925	$ 33,143

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year to fund the Immobilizer Incentive Program. An additional $10.0 million was transferred to the Immobilizer Incentive Fund during 2006/2007 to expand the No Cost Immobilizer Program to all Manitobans owning most-at-risk vehicles.

Program costs incurred are included in the "net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve."

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

19. Extension Development Fund

Effective March 1, 2007 the Board of Directors approved retained earnings targets for Extension and Special Risk Extension lines of business (Competitive Lines) based on 200 per cent of the most recent year's Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings.

Further, the Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target of 200 per cent of MCT will be appropriated, effective March 1, 2007 on a one-time basis, into the Extension Development Fund (EDF). As such, the EDF was established using $39 million of Competitive Lines retained earnings. The EDF is being used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Activity in the EDF includes:

(in thousands of dollars)	2008	2007
Balance beginning of year	$ –	$ –
Transfer from Competitive Lines Retained Earnings	38,983	–
Transfer to Competitive Lines Retained Earnings	(3,594)	–
Balance end of year	$ 35,389	$ –

20. Rate Regulation

The corporation's basic universal compulsory automobile insurance line of business (Basic Insurance) is subject to regulation by the Public Utilities Board (PUB) of Manitoba. Under the provisions of *The Crown Corporations Public Review and Accountability Act*, the PUB has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the corporation. No new rates or fees for services can be introduced without the approval of the PUB. The PUB is required to ensure that the rates are just, reasonable and not unduly discriminatory or preferential.

Annually the corporation prepares its Basic Insurance general rate application and files it with the PUB in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The corporation is required to pay a portion of the PUB's operating costs relating to the corporation's share of the overall PUB budget. In addition, the PUB can also order the corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

21. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.

Management's Responsibility for Financial Information

The consolidated financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 14, 2008.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors as well as the consulting actuary have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The firm of Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices. Eckler Ltd.'s opinion on the valuation of the benefit liabilities is provided on page 26.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 27, outlines the scope of this independent audit and includes their opinion expressed on the 2007 consolidated financial statements.



Doug Sexsmith
President and CEO



Harold B. Dueck, CA
Chief Financial Officer

March 14, 2008

Auditors' Report

To the Workers Compensation Board of Manitoba

We have audited the consolidated balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2007 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Manitoba
March 7, 2008

Grant Thornton LLP
Chartered Accountants

Grant Thornton

CONSOLIDATED BALANCE SHEET

December 31, 2007
(in thousands of dollars)

	2007	2006
Assets		
Cash	$ 2,881	$ 3,112
Receivables and other (Note 4)	35,190	33,658
Investment portfolio (Note 5)	1,019,142	969,035
Deferred assessments (Note 6)	47,598	43,718
Capital assets (Note 7)	11,993	11,571
	$ 1,116,804	$ 1,061,094
Liabilities and Funded Position		
Payables and accrued liabilities (Note 8)	$ 27,223	$ 25,366
Benefit liabilities (Note 10)	831,681	789,032
Total liabilities	858,904	814,398
Accident fund reserve	150,254	99,675
Accumulated other comprehensive income	107,646	147,021
Funded position	257,900	246,696
	$ 1,116,804	$ 1,061,094

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Ron Hambley
Audit Committee of the Board of Directors

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCIDENT FUND RESERVE

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Revenue		
Premium revenue (Note 12)	$ 223,973	$ 219,720
Investment income (Note 5)	98,078	59,571
Total revenue	322,051	279,291
Expenses		
Claim costs incurred (Note 10)	215,491	219,917
Operating expenses (Note 13)	55,981	53,220
Total expenses	271,472	273,137
Operating surplus	**50,579**	**6,154**
Accident fund reserve at beginning of year	99,675	93,521
Accident fund reserve at end of year	$ 150,254	$ 99,675

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Operating surplus	$ 50,579	$ 6,154
Other comprehensive income		
Unrealized gains on available-for-sale financial assets	5,934	80,574
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(45,309)	(24,597)
Other comprehensive (loss) income	(39,375)	55,977
Total comprehensive income	$ 11,204	$ 62,131

Year Ended December 31, 2007
(in thousands of dollars)

Accumulated Other Comprehensive Income		
Balance at beginning of year	$ 147,021	$ 91,044
Other comprehensive (loss) income	(39,375)	55,977
Balance at end of year	$ 107,646	$ 147,021

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2007
(in thousands of dollars)

	2007	2006
Operating cash flows		
Premiums from employers	$ 218,560	$ 200,766
Investment income	50,647	30,414
Claim payments (Note 10)	(172,842)	(161,978)
Purchases of administration goods and services	(56,556)	(51,415)
Net cash provided by operating activities	39,809	17,787
Investing cash flows		
Purchases of investments, net of sales (Note 5)	(37,553)	(14,471)
Capital asset acquisitions, net of disposals	(2,487)	(2,040)
Net cash used by investing activities	(40,040)	(16,511)
Net (decrease) increase in cash	(231)	1,276
Cash at beginning of year	3,112	1,836
Cash at end of year	$ 2,881	$ 3,112

The accompanying notes are an integral part of the consolidated financial statements.

Notes To Consolidated Financial Statements

Year Ended December 31, 2007

($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (the WCB) was created in 1917 under the authority of *The Workers Compensation Act* of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division,
- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision statement is *SAFE Work – A Way of Life*. The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help injured workers return to health and productive work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Available funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an accident fund reserve attributable to the Class E employers exists. A second reserve, accumulated other comprehensive income, shows the cumulative unrealized gains and losses arising from the investment portfolio.

In 2007, the WCB's Funding Policy was amended and the target balance formula was changed to include both reserves. The target balance for the reserves is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance also includes a provision for the potential of new occupational diseases in the future and the expected impact of adopting International Financial Reporting Standards in 2011. The target balance for the reserves was $254 million at the end of 2007 ($247 million in 2006 on a restated basis).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the workers' periods of exposure to the elements that led to the injuries or diseases.

The WCB's significant accounting policies are as follows:

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Investments

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available for sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, a wholly owned subsidiary, gains and losses arising from the change in fair value that have occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

The WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Consolidated Statement of Operations and Accident Fund Reserve.

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 10 years
Furniture, fixtures and equipment	5 years
Building renovations and leasehold improvements	2 - 10 years
Building	40 years

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual experience of the pension plan's assets and liabilities for a period and the assumed outcome for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. If the cumulative net actuarial gain (loss) exceeds 10 per cent of the greater of plan assets or liabilities, the excess is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as at January 1, 2000.

The WCB's independent consulting actuary prepares a valuation of the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available for sale requires the WCB to use accumulated other comprehensive income. Accumulated other comprehensive income is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers.

Employers registered within Class E are subject to collective liability, and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred.

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in other comprehensive income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

3. LINES OF CREDIT

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured. Borrowings during the year amounted to $5.3 million ($20.8 million in 2006), comprised of $2.3 million on the operating line of credit and $3.0 million on the revolving credit facility ($7.8 million and $13.0 million, respectively, in 2006), and were repaid in full during the year.

4. RECEIVABLES AND OTHER

Premiums – Class E employers	$ 26,142	$ 24,806
Allowance for doubtful accounts	(1,226)	(1,158)
	24,916	23,648
Current assessments – Self-insured employers	4,058	3,007
Sundry	1,481	1,626
Accrued pension benefit asset (Note 9)	4,735	5,377
	$ 35,190	$ 33,658

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

	2007	2006
Equities		
Canadian	$ 214,976	$ 196,167
Private placements	33,061	37,667
U.S.	131,857	135,581
Europe, Australia & Far East	95,019	96,980
Emerging markets	38,863	34,489
	513,776	500,884
Cash and short term investments	47,394	36,762
Fixed income	319,497	313,643
Real estate (see table below)	138,475	117,746
Total	$ 1,019,142	$ 969,035

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

Rental properties and other net assets	$ 185,114	$ 171,841
Mortgages payable	(46,639)	(54,095)
Real estate investments	$ 138,475	$ 117,746

Mortgages payable on rental properties bear interest at rates ranging from 5.0 per cent to 7.4 per cent per annum, with maturity dates ranging from 2008 to 2017. Scheduled principal and interest payments for 2008 on these mortgages total $7.0 million. The scheduled amounts of principal repayments, including mortgage maturities, in each of the next five years are as follows:

2008	$ 4,995
2009	14,455
2010	788
2011	8,530
2012	556
	29,324
Thereafter	17,315
Total	$ 46,639

Investment Income

Investment income was derived from the following sources:

	2007	2006
Canadian equities	$ 5,530	$ 5,320
Foreign equities	5,211	3,736
Cash and short term investments	1,932	1,699
Fixed income	16,202	14,829
Real estate (see table below)	28,389	13,511
Realized gains reclassified from other comprehensive income	45,309	24,597
Loan interest expense	(9)	(34)
Management expenses	(4,486)	(4,087)
Investment income	$ 98,078	$ 59,571

Real Estate Income

The real estate income can be further broken down as follows:

Rental income	$ 12,119	$ 11,267
Rental expenses	(5,800)	(4,413)
	6,319	6,854
Appraisal gains	13,757	6,657
Realized gains from property sales	8,313	-
	$ 28,389	$ 13,511

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2007	2006
Purchases of investments	$ 1,321,583	$ 1,145,367
Proceeds on disposal of investments	(1,284,030)	(1,130,896)
Net purchases of investments	$ 37,553	$ 14,471

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $18.4 million ($16.1 million in 2006) to specific investment projects to be financed from the existing portfolio or from available cash.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 98 per cent (97 per cent in 2006) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2007, these loans amounted to $114.9 million ($99.2 million in 2006).

The WCB has certain investments denominated in foreign currencies. During 2007, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2007, the duration of the WCB's bond portfolio was 6.8 years (6.7 years in 2006).

6. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2007	2006
Balance at beginning of year	$ 43,718	$ 25,862
Increase in future cost liability	5,003	17,295
Increase in pension related transactions	445	1,666
Interest allocation	(1,568)	(1,105)
Net change in deferred assessments	3,880	17,856
Balance at end of year	$ 47,598	$ 43,718

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 11,268	$ 9,705	$ 10,932	$ 9,406
Systems development projects	12,016	8,110	11,037	7,370
Furniture, fixtures and equipment	2,080	1,932	1,941	1,908
Building renovations and leasehold improvements	3,625	2,795	3,410	2,479
Building and land	6,031	485	5,837	423
	$ 35,020	$ 23,027	$ 33,157	$ 21,586
Net book value	$11,993		$11,571	

As a result of asset dispositions, costs of $624 ($1,000 in 2006) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $2 ($23 in 2006) was recognized on the sale of these fully depreciated capital assets.

8. PAYABLES AND ACCRUED LIABILITIES

	2007	2006
Accounts payable and accrued liabilities	$ 3,751	$ 4,496
Client annuity program	12,531	10,536
Community Initiatives and Research Program grants	2,186	2,089
Deposits from self-insured employers	1,591	1,441
Employee vacation entitlements	2,817	2,686
Unearned revenue	545	909
Other payables	1,305	1,289
Sick leave plan (Note 9)	2,497	1,920
	$ 27,223	$ 25,366

The WCB has two employee benefit plans which provide pension and other future employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2007, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.5 million ($2.6 million in 2006).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes which was filed with the pension regulators was as at December 31, 2005. The next required valuation for this purpose will be as at December 31, 2008.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan		Sick Leave Plan	
	2007	2006	2007	2006
Benefits paid by the plan	$ 1,499	$ 1,721	$ 44	$ 147
Employer contributions	2,417	2,420	44	147
Employee contributions	1,744	1,514	-	-
Employee future benefit expense	3,059	2,851	621	460
Actual return on plan assets	(1.3%)	13.4%	-	-

Reconciliation of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
Fair value of plan assets	$ 84,426	$82,893	-	-
Accrued benefit obligation	97,587	91,827	$ 4,406	$ 3,950
Plan deficit for accounting purposes	(13,161)	(8,934)	(4,406)	(3,950)
Balance of unamortized losses	17,896	14,311	1,909	2,030
Accrued benefit asset (liability)	$ 4,735	$ 5,377	$ (2,497)	$ (1,920)

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities for accounting purposes as at December 31 are as follows:

	Pension Plan		Sick Leave Plan	
Discount rate	5.50%	5.25%	5.50%	5.25%
Expected long term rate of return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	3.75%	3.75%	2.25%	2.25%
Expected average remaining service life (in years)	14	16	14	16

The asset allocation for the pension plan as at December 31 is:

	2007	2006
Equity	61%	63%
Fixed income (including short term)	39%	37%

10. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2003	2002
Discount rate for non-indexed benefits	6.0%	6.0%
Discount rate for CPI-indexed benefits	3.0%	3.0%
Discount rate for wage-indexed benefits	2.0%	2.0%
Discount rate for healthcare benefits	2.0%	2.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 114,301	$ 362,618	$ 153,458	$ 137,760	$ 20,895	$ 789,032	$ 731,093
Add: Claim costs incurred							
Current year	104,754	4,916	8,560	44,642	9,099	171,971	154,114
Prior years	(26,394)	52,987	8,564	11,961	(3,598)	43,520	65,803
	78,360	57,903	17,124	56,603	5,501	215,491	219,917
Less: Claim payments made							
Current year	29,466	463	1,063	17,504	10	48,506	46,663
Prior years	33,179	44,387	13,971	30,325	2,474	124,336	115,315
	62,645	44,850	15,034	47,829	2,484	172,842	161,978
Balance at end of year	$ 130,016	$ 375,671	$ 155,548	$ 146,534	$ 23,912	$ 831,681	$ 789,032

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $38.0 million ($37.0 million in 2006) for the long latent occupational disease liability and $53.4 million ($49.1 million in 2006) for the future cost of administering existing claims.

Note 10 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	Short Term Disability	Long Term Disability	Survivor Benefits	Healthcare Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 13,415	$ 41,431	$ 26,366	$ 16,868	$ 1,603	$ 99,683	$ 81,591
Add: Claim costs incurred							
Current year	10,734	345	1,144	6,778	863	19,864	29,166
Prior years	(1,989)	6,056	3,687	2,884	(235)	10,403	10,346
	8,745	6,401	4,831	9,662	628	30,267	39,512
Less: Claim payments made							
Current year	3,538	149	133	2,088	3	5,911	6,148
Prior years	4,909	3,464	3,186	5,941	152	17,652	15,272
	8,447	3,613	3,319	8,029	155	23,563	21,420
Balance at end of year	$ 13,713	$ 44,219	$ 27,878	$ 18,501	$ 2,076	$ 106,387	$ 99,683

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.1 million ($3.8 million in 2006) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $11.1 million ($10.8 million in 2006) for self-insured employers' share of the long latent occupational disease liability and $6.2 million ($5.8 million in 2006) for the future cost of administering existing claims.

12. PREMIUM REVENUE

Premiums – Class E employers	$ 194,059	$ 179,495
Assessments – Self-insured employers	26,034	22,369
Increase in deferred assessments (Note 6)	3,880	17,856
Total premium revenue	$ 223,973	$ 219,720

Salaries, employee benefits and training	$ 37,263	$ 35,076
Information technology service fees	1,898	1,899
Occupancy costs	1,834	1,758
Office supplies, services and projects	471	647
Communications	1,029	973
Professional fees	895	1,009
Donations	80	84
Amortization of capital assets	2,065	2,090
Appeal Commission	1,228	1,174
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(861)	(821)
Prevention and other (Note 14)	9,079	8,331
Total operating expenses	$ 55,981	$ 53,220

Of the total operating expenses, $4.2 million ($3.6 million in 2006) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

14. RELATED PARTY TRANSACTIONS

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2007, the amount charged to operations under this provision was $6.9 million ($6.2 million in 2006).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2007, the amount charged to operations under this provision was $0.9 million ($0.9 million in 2006).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2007 are guaranteed debentures issued by the Province of Manitoba in the amount of $1.0 million ($2.4 million in 2006).

The WCB has signed operating leases for office premises expiring at various times until December 31, 2012. The minimum lease obligations over the next five years are:

$569	$416	$307	$62	$10	$1,364

15. CONTINGENCIES

The WCB is a defendant in class proceedings commenced in 2007 by surviving spouses of deceased workers whose dependants' benefits were terminated on their remarriages prior to April 17, 1985. It is difficult to predict the outcome of these proceedings with certainty. However, based on information presently known, these proceedings are not expected to have a material adverse effect on the consolidated financial position of the WCB.

17. AUDITOR INDEPENDENCE

In 2007, Grant Thornton LLP provided $9 ($0 in 2006) of non-audit services to the WCB.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.